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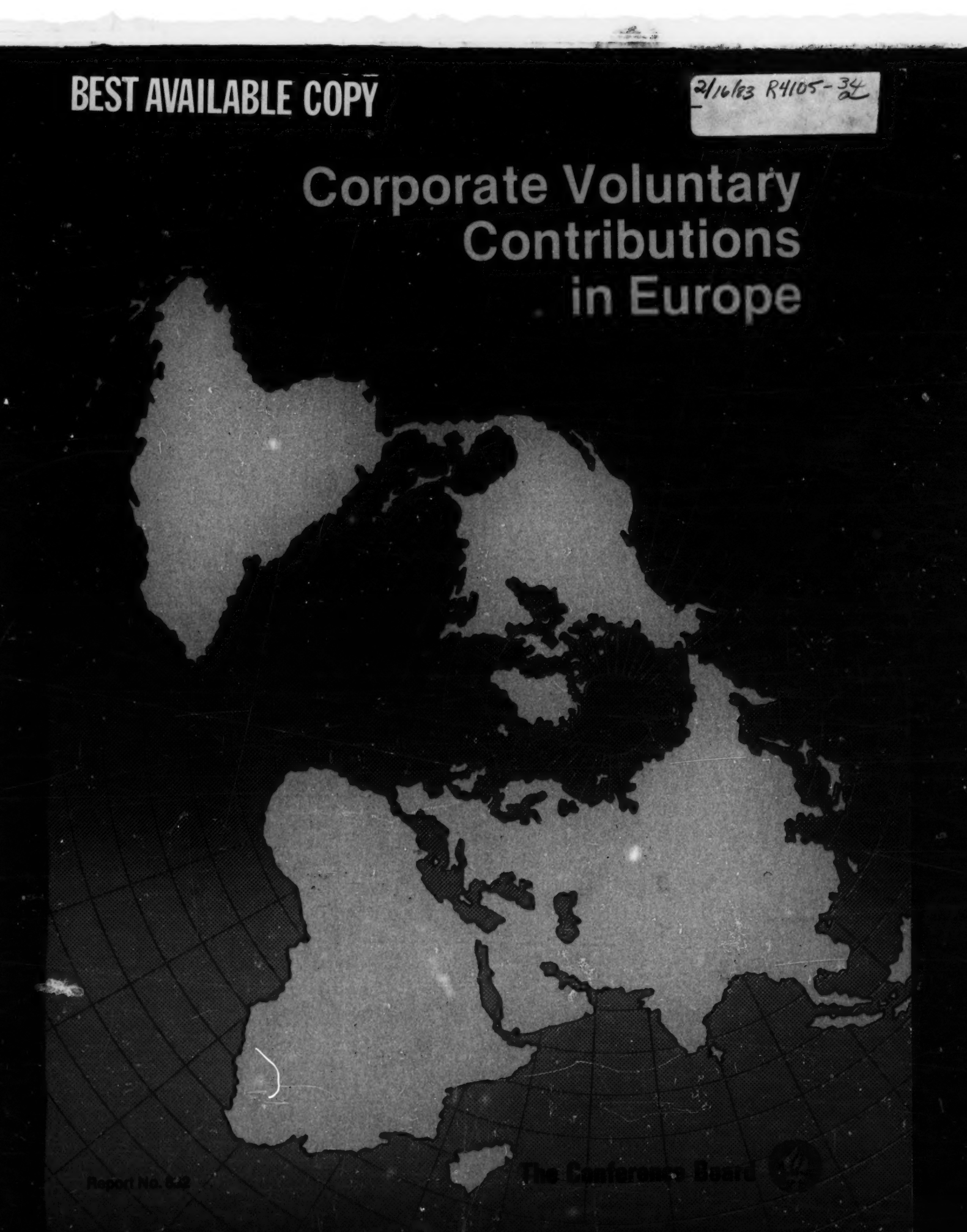
Corporate Voluntary Contributions in Europe



Report No. 842

The Conference Board

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Corporate Voluntary Contributions in Europe

by Mary Mauksch

A Research Report from The Conference Board

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Why This Report

SINCE THE END OF WORLD WAR II, The Conference Board has been reporting on corporate contributions in the United States. Several of our Associates in Europe suggested that a similar survey of selected European countries would help them plan contributions programs within the framework of each country's customs and constraints.

Hence this survey. It differs from the annual U.S. survey of corporate contributions in that it is less statistical and more descriptive of attitudes toward voluntary contributions. In addition, it includes material on management and organization of the corporate contributions function, and analyzes the relevant tax laws and their effect as incentives (or disincentives) to corporate philanthropy.

The Conference Board is grateful to the executives who spent time and effort to assemble the contributions data, and were willing to discuss the background, organization and management of their companies' contributions activities.

JAMES T. MILLS
President

Chapter 1

Overview and Highlights

THIS IS A REPORT of the first survey of corporate contributions in Europe conducted by The Conference Board. It was undertaken to explore the answers to the following questions:

- How much do corporations in Europe contribute to philanthropy, education and culture, and how do the amounts relate to sales, profits before taxes, and number of employees?
- How are these amounts distributed among major beneficiary groups?
- How is the corporate contributions function organized and managed?
- What are the relevant tax laws, and what influence (if any) do they exert on corporate contributions?

In order to answer these questions, at least in part, The Conference Board conducted a survey of eight European countries: Belgium, the Federal Republic of Germany, France, Italy, the Netherlands, Sweden, Switzerland and the United Kingdom.

Conclusions are tentative at best. Only 3 percent of the questionnaires mailed in the eight countries were returned (in contrast to a 16 percent response rate in the United States). Generalizations are obviously subject to risk of serious error. Nevertheless, the impressions gained are of interest as this summary shows:

- Cultural and historic differences impinge upon the concept of charity and contributions in general.
- There is a great diversity of corporate giving among the various countries, as well as among corporations within each country.
- There is a diversity of definitions of what constitutes a corporate contribution.
- In seven out of the eight countries, the tax laws act as incentives to corporate contributions.

Contributions and Charity as Defined in Different European Countries

Cultural heritage and political evolution influence the general attitudes to corporate, as well as personal, responsibility for others. In the United Kingdom, the evolution of democratic institutions and freedom of the individual has led to personal involvement and responsibility and limited governmental powers. In countries where democracy developed in conjunction with nationalism and freedom of the state, with a lesser emphasis on personal freedom, the tendency is to let the state take care of things. The development of the welfare state after World War II has carried this attitude even further. Therefore, the government is assumed to provide the minimum needs of fellow citizens and "charity" does not seem a serious concern. The advent of the welfare state in the United Kingdom brought with it a certain amount of tension between the government and the thousands of organizations that were engaged in philanthropy: If the government taxes its citizens and corporations to the extent that is meant to provide for those areas previously financed privately, what should be the role of philanthropy? As of now, the United Kingdom continues to stand out in terms of overall preoccupation with philanthropy and nongovernmental support of education and the arts, and the government plays a not inconsiderable role in maintaining and promoting an efficient use of funds and human resources on the private level.

At the opposite end of the spectrum is Sweden, and to a lesser degree the Federal Republic of Germany, where the tolerance for high income and corporate taxes is predicated on government's responsibility for basic needs. In Sweden, donations are not tax deductible unless they are business related. In Germany, this understanding of the government's role combines with the population's

penchant for science and culture (music and the visual arts) to create a favorable climate for corporate support of both, with general welfare and health playing a minor role.

France and Belgium lie somewhere between these two extremes. In both countries, "charité" has its roots in church-oriented "caritas" and relates to the poor.[1] Hence, the "bonnes oeuvres" (good works) are of considerable importance, although the government's social distributive process is surprisingly strong in both countries.

The term "contribution" may mean a host of things: In Germany, it may mean "Beitrag," which refers to a legal contribution for social security, but it may also mean subscription or insurance premium; or it could translate as "Mitwirkung" in the sense of cooperation, or "Beihilfe," meaning aid or state subsidy. In French, there is also the word "contribution," but it has a different meaning from the English term and refers to social security and pension contributions and can also be a synonym for "cotizations," the latter referring to subscriptions, dues and fees.

As a result of these varied interpretations, the companies responding to the questionnaire indicated allocations to a group of causes that fall outside of the interpretation of voluntary contributions:

— Legally required contributions in France, that is, taxes such as the 0.9 percent and 0.5 percent of total salaries paid for low-cost housing and for apprenticeship, respectively;

— Outright employers' social security taxes;

— Pension and social security supplements for the firm's employees only;

— Dues and memberships in professional societies that are clearly business related;

— Outright purchase of art works that are often lent on a permanent basis to museums that assume the cost of insurance;

— Support of research and development.

At the corporate level, the relative importance of contributions is manifested by the amounts budgeted (or disbursed ad hoc) and by the style of organization and management of the contributions function. The amounts contributed in 1980 are shown in U.S. dollar equivalents in Table 1.

[1]The word "charity" is used in the United Kingdom to describe everything from alms to corporate contributions and evokes a feeling of intense personal involvement. The equivalent in German could be "Wohltatigkeit," which means welfare activity, or "Hilfswerk," literally translated as "help work," or, possibly, "Spende," that is, a gift, alms, donation. The French prefer using the term "bonnes oeuvres" (good works) to "charité" to describe philanthropy, and "mécénat" to denote patronage of the arts. "Sponsoring," an English term which has found its way into the French language, is used only with reference to sport events and is considered to be part of the sales effort.

Style of Organization and Management

In most countries covered by this survey, the responsibility for corporate contributions is in the hands of one person. It is a part-time occupation, often of the secretary of the company, less frequently of the executive in charge of public relations or public affairs, occasionally of a member of the board of directors, the financial director, or the personnel director. Usually, that executive processes the solicitations, selects the beneficiaries, and allocates funds from a yearly budget. He is also involved in the preparation of that budget, which is approved by a member of the board of directors or, more frequently, by the entire board.

In some countries, the philanthropic activity reflects the chief executive's interest, and it is that interest and his involvement that prevail in terms of the choice of beneficiaries and allocation of funds. This occurs frequently in Italy and Germany, less so in France, and is quite evident in the United Kingdom.

A committee of as few as two to as many as nine takes care of contributions in most of the U.K. companies included in this survey. Such committees occur in the occasional company in other countries, but are rather the exception to the rule—except in the Netherlands, where four out of twelve companies have a contributions committee.

Another indicator of the relative importance of corporate contributions is the existence of a company foundation. In the United Kingdom, nine out of forty-seven companies have their own charitable trusts (foundations) and another seven companies use the Charity Aid Foundation (see pages 36-38) for allocation and disbursement

Table 1: Range of Corporate Contributions in Eight European Countries, 1980

Country	*Number of Companies*	*Range of Contributions*
Belgium	15	$ 2,900—$ 836,700
Federal Republic of Germany	16	2,900— 1,741,000
France[1]	19	900— 12,000,000
Italy	9	6,300— 2,982,000
Netherlands	12	7,600— 174,000
Sweden	8	2,400— 808,900
Switzerland	5	60,000— 2,900,000
United Kingdom	47	12,000— 6,605,000

[1]The $12 million figure for the upper range for France is not typical; it is the budget of a large U.S. multinational company. Consequently, it is the United Kingdom that reports the largest amounts: Seven out of forty-seven U.K. companies donated more than $1 million each in 1980.

of their funds. The tabulation below summarizes the foundations reported by the respondents in various countries:

Belgium:	4 out of 15 companies (plus use of the United Fund)
Federal Republic of Germany:	4 out of 16 companies
France:	4 (within Fondation de France)
Italy:	1 out of 9 companies
Netherlands:	1 out of 12 companies
Sweden:	3 out of 8 companies (for benefit of employees)
Switzerland:	none

Almost universally, the contributions activity is reactive and/or subject to precedent: Most companies receive hundreds of solicitations for funds and it is simply a question of deciding "who gets how much." Precedent plays a large role in that companies tend to support the same organizations year after year. It is a rare company that plans the allocation of funds in a manner that maximizes their benefit, or that seeks out or initiates projects based on an overall company philosophy. Only in the area of the arts does some planning occur, but there the threshold to a marketing effort or to investment is easily crossed.

It is notable that fund raising on a regional or national level, such as takes place every year through the United Way (and others) in the United States, is not practiced in Europe, with the exception of Belgium where a concentration of U.S. firms has given rise to a United Fund. It is organized like (and has ties with) the United Way and conducts a fund-raising compaign every year for Belgian charities.

Methodology

The report for each country is in three parts: an analysis of corporate contributions; a report on management and organization of the contributions function; and a summary of the relevant tax laws.

The data on contributions were sought by a questionnaire requesting information on the company's sales, profit before taxes, and number of employees, as well as on total amount of money donated in 1980 and its division among the various categories of beneficiaries. This questionnaire was mailed initially to chairmen of companies that had a minimum of $100 million in sales in 1980—2,200 companies in the eight countries. The questionnaire was accompanied by a letter explaining the aims of the survey Both questionnaire and letter were in English, German, French or Italian to facilitate understanding and response.

A total of 47 responses was received (2.1 percent response) out of which 38 supplied the information requested (bringing the response rate down to 1.7 percent), with the remainder declining. Therefore, the mailing was repeated to a more carefully selected list of companies. One hundred twenty-one responses (6 percent) were received, of which eighty-seven supplied the information requested (4.3 percent), with the remainder declining. In all, the 4,400 or so questionnaires elicited a 3 percent response.

Information on organization and management of the contributions function was sought in the following way: The companies that responded to the questionnaire were interviewed either in person or by telephone—or a questionnaire was mailed to them requesting the information. This was often followed up by a telephone call.

Information regarding the tax legislation relevant to corporate contributions was supplied by the International Bureau of Fiscal Documentation in the Netherlands.

The report covers foundations (trusts) in each country in some depth as they form an integral part of corporate contributions; and "secondment," a British expression for lending company executives to nonprofit organizations for a specified time or task, is discussed where relevant.

Currency Exchange Rates

To facilitate comparison, all denominations were converted to U.S. dollars, using the following 1980 exchange rates:

Country	*Units per U.S. Dollar*
Belgium	29.20 BF
Federal Republic of Germany	1.815 DM
France	4.22 FF
Italy	855 Lira
Netherlands	1.983 Guilders
Sweden	4.228 Krona
Switzerland	1.673 SF
United Kingdom	0.430 Pounds

Chapter 2
Belgium

CORPORATE CONTRIBUTIONS to philanthropy, education and culture play a minor role in most Belgian companies, as reflected in the amount of money, effort and time expended on this activity. This is surprising in view of the fact that gifts in Belgium are deductible (within specified limits and under certain conditions) for purposes of the corporate income tax, provided that they do not exceed the lesser of 5 percent of the corporation's total income before taxes, or 10 million BF ($324,000).[1]

Corporate Contributions

In Belgium—as in other European countries—the definition of what constitutes corporate contributions varies widely from corporation to corporation and can range from concentration on strict philanthropy (no pleasure, hence no support of art and culture) to a very broad interpretation of the term: so broad, in fact, that 80 percent of one corporation's "contributions" consist of memberships in professional associations. On the other hand, a bank that regularly sponsors unusual art exhibits in its premises does not include this effort in its report on contributions and makes clear, furthermore, the distinction between "mécénat" (patron of the arts in a narrow sense and philanthropy in a broader sense) and "sponsoring." The latter is kept completely separate, refers to the bank's art exhibits, and is part of its marketing effort.

Table 2 must, therefore, be interpreted with a great deal of caution. The three categories of beneficiaries that are relatively free of business relationship are health, social work, and support for religious institutions—and, except for health, they seem to be at a disadvantage vis-a-vis culture and art, education and, particularly, the "other" category—the vehicle for professional memberships. Support of education is most often industry oriented, that is, financial support goes toward a university-led project that could, in the long run, benefit the organization funding it. In many cases, support of a certain university is heavily influenced by the fact that some members of the organization may lecture there.

These conclusions are based on a survey conducted in two stages:

— A questionnaire requesting information on company sales, profit before taxes, number of employees, as well as on amounts allocated to various categories of beneficiaries, was mailed to 108 companies. Responses were received from eighteen companies, three of which declined to divulge the information.

— Interviews were held with a dozen companies in order to add to the information assembled by the questionnaire and to learn about the management and organization of the contributions function in each of the companies.

There is no relationship between profit before taxes and the amount of contribution a company makes to philanthropy, education and culture. Total donations for the year 1980 for the 15 companies amounted to U.S. $2,909,115. Individual companies' contributions ranged from $2,875 to $836,700. Donation per employee ranged from $7.90 to $187,000. The latter range must be judged somewhat imprecise, as some companies cited Europewide or worldwide employees and donations for Belgium only, while others cited Belgian employees and European or worldwide donations. More than one-third of the responding companies were non-Belgian, and their pattern of giving is different from non-Belgian companies. All the Belgian responding companies contributed to health as well as to education, and eight out of nine contributed to culture and art, while only three out of six non-Belgian companies contributed to health and education; and two out of six non-Belgian companies gave to culture and art. Five Belgian companies contributed to social work and only one non- Belgian company did.

[1] See section on taxes, page 9.

Table 2: Corporate Contributions—Belgium

Industry Sector	Amount of Contribution: Percent of Profit	Amount of Contribution: U.S. $ Per Employee	Percent of Total: Health	Education	Culture and Art	Social Work	Religious Work	Other	Company Foundation	United Fund	Total U.S. Dollars
M	6.3 %	$53.53	15%	26%	14%	6%	25%	14%	46%	—	$424,430
M	0.07	7.90	83[b]	17	—	—	—	—	—	—	2,875
M	1.2[a]	42.70	25	43	2	3	1	26	—	—	213,300[a]
M	0.4	10.70	—	—	—	—	—	—	—	100%	13,300
M	—	—	—	—	—	68	—	32	100	2	200,000[e]
M	5.2	32.00	5	25	20	5	—	45	38	—	836,700[f]
M	13.5	23.00	100	—	—	—	—	—	—	—	35,800
S	(2.6)[c]	18.00	—	—	—	—	—	—	—	100[b]	3,300
S	0.02	10.00	3	94	2	—	—	—	—	—	283,300
R	0.45[a]	187.50	49	22	11	—	17	1	—	—	75,000
R	0.16	71.40	5	44	4	—	—	47	23	—	78,580
C	0.2	52.0	13	81	4	—	—	2	—	—	130,160
E	1.4	32.50	2	46	5	3	—	44	—	—	47,700
B	0.34	13.60	19	36	42	—	—	3	—	—	216,670
B	0.9	28.50	10	20	20	8	2	40[d]	—	—	350,000

a—Worldwide sales.
b—Red Cross only.
c—Loss in 1980 worldwide.
d—Organizations of professional interest.
e—Europe.
f—Two-thirds for own employees' benefit.

Sector:
M—Manufacturing
S—Services
R—Resources
C—Communications
E—Engineering
B—Banks

Foundations

Very few companies (four of the fifteen) report having a foundation. If one exists, it is extremely specialized in its activity: Since Belgium has strong ties with Zaire, and a great deal of its business is export-oriented, such foundations were most often established to help the indigenous populations of the Third World either in their home countries or upon their residence in Belgium.

However, many Belgian foundations bear the name of present or past royalty or aristocracy, such as the Fondation Nationales Reine Fabiola Pour la Santé Mentale (Queen Fabiola's National Foundation for Mental Health); Fondation Médicale Reine Elizabeth (Queen Elizabeth's Foundation for Medicine); Fondation Roi Baudoin (King Baudoin's Foundation); and Fondation Baronne Lambert. As the names indicate, many are concerned with mental and physical health. A notable exception is the Fondation Roi Baudoin, that was created at the end of 1975, with capital of 1.2 million BF, and whose objective is to ameliorate the Belgian population's living standard. For the past five years, the Foundation has supported social aid, environmental programs, regional and urban development, preservation of cultural heritage, and basic research on Belgium's future. Funds come from business to a large extent; in fact, there was an implied obligation on the part of business to subscribe to a substantial initial fund, as well as to continue support for a number of years. (See box.)

Fondation Roi Baudouin

The Fondation Roi Baudouin was set up in 1976 to commemorate the 25th anniversary of King Baudouin's accession to the throne. Although this initiative was taken by a National Committee composed of prominent public figures, the Foundation's status is that of a private organization. It aims at promoting better conditions of life for the Belgians. Its activities are therefore carried out mainly in Belgium. It is well understood, however, that living conditions and the quality of life in Belgium depend a great deal on what happens abroad. For this reason, an international award of approximately $100,000, named the "International King Baudouin Prize for Development," is given every two years.

The other main fields of activities are:

— environmental management, urban planning, public amenities;
— rural development;
— preservation of historic buildings and of the cultural heritage;
— social welfare;
— health;
— volunteer work;
— basic research on Belgium's future.

It is funded from a diversified portfolio of investments, deriving from a national subscription organized in 1976. The Foundation also accepts gifts, other contributions, and legacies.

In addition, there is the "Fondation Industrie- Université pour le Perfectionnement des Dirigents d'Entreprise," (Industry- University Foundation for Improvement of Enterprise Executives), which draws a good portion of the "education" money; and the Fondation Nationale de Recherche Scientific (National Foundation for Scientific Research) through which companies channel funds for all sectors of research, including computer science.

United Fund

Belgium is the only European country with an organized fund-raising operation. The United Fund, which has ties to United Way in the United States, mounts a yearly fund-raising campaign through which a great many non-Belgium, particularly U.S., companies channel their donations. Almost 250 companies contributed to various Belgian causes through the Fund in 1980 (see Table 3) and these companies donated close to 5 million BF, or $163,000, the largest part (48 percent) going to the handicapped.

The United Fund was created at the initiative of the U.S. business community in 1972 for the benefit of Belgian charities. It is unique in its approach to fund raising and its choice of beneficiaries.

The Fund is administered by a voluntary Working Board of Directors and by an Allocations Committee; both are supported by an Honorary Board. Each year, the Fund mounts a campaign under the aegis of the National Campaign Chairman and with the assistance of several committees (advertising, public relations, special events, training, individuals). The fund raising is divided into the two language regions under their respective chairmen. Approximately 70 men and women executives, who volunteered to be members of the 1981 campaign committee, were briefed on techniques of fund raising and made contact with potential donors either by telephone or through personal visits. (See list of contributing organizations in Exhibit 1.)

Table 3: United Fund 1980

Beneficiary Group	*Amount Donated*	*Percent of Total*
Children and youth	$1,150,000	23%
Handicapped	2,326,854	48
Blind	140,000	3
Medical	647,780	13
Research and education	130,000	3
Miscellaneous	500,000	10
Total	BF 4,894,634(= $163,155)	100%

Funding is restricted to projects. The projects are reviewed by the Allocation Committee to see if they fall within the framework of the United Fund's criteria, and visits are made to the organizations requesting funding to discuss the specific project and the financial resources required for it. The Allocations Committee subsequently meets to discuss the requests and submits its recommendations to the board of directors for approval. The approval is communicated to the organization, but *payment is deferred until after the project is completed.*

The Allocations Committee's members are "prominent Belgian community leaders active in social and political affairs throughout the country" and their function is to assure a fair distribution of the funds, that is, to assure that regional, language and political viewpoints are all represented by the organizations benefiting from allocations.

Management and Organization of the Contributions Function

In most Belgian companies, it is often one executive, close to the president's office, who screens incoming requests for donations, assures continuity of precedents, and proposes the budget. This is not a full-time function, however, as is evident from the titles of the individuals: member of the board of directors, general manager, vice president, executive director, director of personnel, financial director.

Approval of the Contributions Budget

Proposal of the budget is in most cases tantamount to approval, except when larger sums of money are concerned. In such cases, the board of directors has the final word. It is noteworthy that in those companies where the contributions function carried more weight, or where employee involvement is encouraged by management, the method for screening requests and budget approval is more complex. Those companies also tend to establish special committees to deal with the corporate contributions function, and there is at least one executive who allocates a good part of his or her time to it—perhaps as part of the public affairs function.

Precedent is a most compelling feature in the budgeting process and in the selection of beneficiaries. (Most Belgian companies adhere to well-established precedents in terms of both "how much" and "to whom.") Probably 80 percent of all donations are in the realm of subscriptions, that is, the organizations seeking support and those giving it take it as a matter of course that it will be a continuing relationship.

As for the amounts given each year to these "continuing" causes, precedent governs again, but three options prevail:

— maintaining the same level of contributions, thereby

Exhibit 1: United Fund of Belgium 1980 Campaign, List of Contributing Organizations

ADVANCED MICRO DEVICES
AEROQUIP BENELUX
AGENCE MARITIME INTERNATIONALE
(DART CONTAINER LINE)
ALLIED CHEMICAL INTERNATIONAL
AMERICAN CHAMBER OF COMMERCE
AMERICAN CLUB
AMERICAN EXPRESS
AMERICAN INTERNATIONAL
UNDERWRITERS
AMERICAN WOMEN'S CLUB
ANDRE & Co.
ANGLO BELGIAN PRODUCE Cy.
ARCHIBALD LAW OFFICES
ARMSTRONG MACHINE WORKS
ARMOUR FOODS
ARTHUR ANDERSEN & Co.
ARTHUR PIERRE
ARTHUR YOUNG & Co.
ASG (BRABANT)
ASG BELGIUM (ANTWERP)

BAEDER ASSOCIATES
BANK OF NOVA SCOTIA
BANQUE DE COMMERCE
BANQUE NATIONALE DE BELGIQUE
BASKIN ROBBINS ICE CREAM
BAUMGOLD BROS. OF ANTWERP
BAUSCH & LOMB
BECKMAN INSTRUMENTS
BELL & HOWELL
BENTON & BOWLES
BERLITZ SCHOOLS
BETZ
BLUE BELL EUROPE
BOAS LAW OFFICE
BOELS & BEGAULT
BORG WARNER CORPORATION
BRITISH CALEDONIAN AIRWAYS
BRITISH LEYLAND
BROWN & WILLIAMSON
BRUNSWICK CORPORATION
BUCKMAN LABORATORIES
THE BULLETIN

CANADIAN FOREST PRODUCTS
CARRE ORBAN & PARTNERS
CAST EUROPE
CASTLE & COOKE FOODS
CHAMPION SPARK PLUG EUROPE
CHEMICAL BANK
CITIBANK BELGIUM
CLARK EQUIPMENT
COCA COLA EXPORT CORP.
COLGATE-PALMOLIVE
COMARK EUROPE
CONOCO CHEMICALS
CONTINENTAL BELGIUM
CONTINENTAL DIAMOND
CONTINETAL GROUP OF EUROPE
COOPERS & LYBRAND
COPELAND REFRIGERATION EUROPE
CORDIS DOW
COWARD CHANCE

C.P.C. EUROPE
CROUSSE, DEKEYSER, HINNEKENS
(BUREAU D'AVOCATS)
CULLIGAN
CYNAMID

JOHN DEERE INTERCONTINENTAL
DELOITTE, HASKINS & SELLS
KAMIEL DE MEESTER
VIDEO PRODUCTIONS
DEXTER INTERNATIONAL CORP.
DIAMOND SHAMROCK EUROPE
DICALITE EUROPE NORD
DIVERSEY
DONALDSON EUROPE
DORLAND & GREY
DOW CHEMICAL BELGIUM
DOW CORNING
DRESSER EUROPE
DU PONT DE NEMOURS
DUROBOR

ERNST & WHINNEY CONTINENTAL
ESSO BELGIUM
ESSOCHEM EUROPE
ETHYL
EUROBLAN
EURO-SILO

FISHER PRICE BENELUX
FLORIDIENNE
F.M.C. EUROPE
FORD TRACTOR BELGIUM

GENERAL FOODS CORP.
GENERAL MOTORS ACCEPTANCE CORP
GHENT GRAIN TERMINAL
GIANI EN MULLER
GLEASON WORKS
GLOBAL INTERNATIONAL FORWARDING
GOODYEAR
GORDON-GILL INTERNATIONAL
GREGG ASSOCIATES
GROW CHEMICAL
GTE ATEA

HALSTEAD ASSOCIATES
HEIDRICK & STRUGGLES
H.J. HEINZ & Co.
HHD OGILVY & MATHER
HERCULES CHEMICALS
HEUBLEIN EUROPE
HILTON INTERNATIONAL
HONEYWELL EUROPE
HUGHES AIRCRAFT
HUGH JONES ASSOCIATES
HYSTER

IDELUX
INGERSOLL RAND
INTERNATIONAL CORN Cy.
INTERNATIONAL FILLER OF BELGIUM
INTERNATIONAL HARVESTER
INTERNATIONAL SCHOOL OF BRUSSELS
ITE INTERNATIONAL SALES
ITT EUROPE

JANSSEN PHARMACEUTICA
J.C.P. EUROPEAN HEADQUARTERS
J.C.P. PURCHASING
JOHNSON WAX BELGIUM

A.T. KEARNEY & Co.
KEUFFEL & ESSER INTERNATIONAL
K.M.G.
KRAFTCO
KODAK
KREGLINGER
K-S-H PLASTICS

LE ROCHER
LEVI STRAUSS & Co.
ARTHUR D. LITTLE
LLOYDS BANK INTERNATIONAL

3 M EUROPE
MACTAC EUROPE
MANAGEMENT CENTRE EUROPE
MARTIN MARIETTA AEROSPACE
MARUBENI
McJAY INTERNATIONAL
MERA - HENDRIX VOEDERS
MERCK SHARP & DOHME
MEWA SERVIRFI
MITSUBISHI CORPORATION
MITSUI & Co BENELUX
MONROE
MONSANTO EUROPE
MORGAN GUARANTY TRUST

NASHUA
NEDERLANDSE ACCOUNTANTS
MAATSCHAPPIJ
NIELSEN Co BELGIUM
NISSAN MOTOR Co.
NORDSON EUROPE
NORIS SHAKESPEARE
NOUVELLE SOCIETE
SURVEILLANCE ET SECURITE

OCCIDENTAL SYSTEMS BELGIUM
OMARK EUROPE
ORTHO DIAGNOSTICS

PAN AMERICAN WORLD AIRWAYS
PEAT MARWICK MITCHELL
PEPSI-COLA
PETRO TEX EUROPE
PFIZER EUROPE
PITTSBURGH CORNING EUROPE
POLYOLEFINS
POLYSAR BELGIUM
PRICE WATERHOUSE
PROCTER & GAMBLE
PSYCHOLOGICAL SERVICES
INTERNATIONAL

QUALITY INNS

RALSTON PURINA
R.B.P. (COASTAL)
R.C.A.
RENTOKIL
RESTAURA
REYNOLDS ALUMINIUM EUROPE
RIDGE TOOL
ROSS

SABENA
S.A.M.G.A.
SANDVIK EUROPE
SAMSONITE
SCOTT GRAPHICS INTERNATIONAL
SEAGRAMS BELGIUM
SEALAND BELGIUM
SENIOR SECRETARIES
S.F.C.
SHUR-LOK INTERNATIONAL
SIGNODE
SCHLEGEL
SOBELGRA
SOCIETY FOR SUPPRESSED SONGSTERS
SONY BELGIUM
SPERRY NEW HOLLAND
SPIRAX-SARCO
STANDARD CHARTERED BANK
STAUFFER CHEMICAL

TENNCO EUROPE
TANDY CORPORATION
TEXACO BELGIUM
THREADS EUROPE
TOUCHE ROSS & Co.
TOWERS, PERRIN, FORSTER & CROSBY
TRADAX
T.R.W. SYSTEMS INTERNATIONAL
TWIN DISC

UMAC-MIDWEST
UNITED TECHNOLOGIES
UNION CARBIDE
UNIVESTORS

VAN BREE
VAN EESSEL
CHARLES VAN GESTEL DIAMOND WORKS
V.D.M. BELGIUM
VESUVIUS INTERNATIONAL

WABCO WESTINGHOUSE
WERNER ASSOCIATES
WESTINGHOUSE NUCLEAR EUROPE
WEYERHAEUSER
WIGGIN ALLOYS
WOOD, APPLETON, OLIVER & Co.

ZIEGLER & Co.

reducing it by the amount of inflation and effecting a slow attrition;

— maintaining the same level of purchasing power, that is, taking account of inflation and increasing the contribution by the inflation increment;

— reducing or increasing the contribution by an arbitrary amount because of some change within the company (performance, philosophy, management).

The "continuous" or "subscription" category of contributions is supplemented each year by new donations. Initiative for these can come from several quarters:

— requests addressed directly to the company by the organization seeking support;

— suggestions by one of the top managers or by a client (which is often extremely compelling);

— requests emanating from employees' outside activity and involvement.

Planning

If the above leads to an assumption that there is little planning involved in the preparation of the yearly corporate contributions budget in Belgium, that assumption is well-taken. Besides donations determined by precedent or request, there is little else, barring occasional catastrophes, that evokes a response. On the whole, the entire philanthropic activity is viewed narrowly: "Il faut faire quelquechose." ("One must do something.") Among the Belgian companies interviewed, there is no attempt to link the activity in any way to public affairs. Given these perceptions, planning—adopting a goal, and making an assumption that the money donated is, in fact, a long-term investment that should benefit not only the recipient of the contribution but the company as well—are not, on the whole, practiced by Belgian companies.

The exception are banks, which have very high visibility in the country and are consciously building an image as patrons of the arts. This is reflected in the amounts of money allocated to concerts, theaters and visual arts, and the vigorous support of various festivals. Foreign companies, and particularly U.S. companies that have been exposed to the American contributions function and its close link to concerns of corporate environment, are also much more conscious of the advantages of intelligent planning and community and employee involvement. Two companies, one in manufacturing and the other in the resources sector, have developed employee-initiated sponsorships and grants that point clearly toward a long-term benefit perception of corporate contributions.

The first, the Levi Strauss Company, established an International Community Affairs program in 1977, which is designed to provide financial contributions to help alleviate social problems in communities and regions where the company is located or has an interest. The creation of this program is in line with the company's philosophy:

"We believe that a corporation must become actively involved in facing and solving the social problems of America. Today's corporation must develop practical means of giving human needs the same status as profit and production. This does not mean that business will not continue to assume its responsibility for making a profit for stockholders, insuring ample income for its management and providing quality products for its customers, but the positive and negative social forces at work in our nation today demand that the corporation make a philosophical and a material response to the other needs of the people and the community.

"In the long run, this new task of the corporation will be in its own best interest, since it cannot prosper as fully or as long in a society frustrated by social ills and upheaval."

—1980 Levi Strauss internal publication, reproduced by permission.

The main direction for these contributions comes from teams of employees who combine volunteered time with company time to help identify and solve local community problems. In continental Europe there are eight "Community Involvement Teams," of which four are in Belgium, and they are supported and assisted by the Community Affairs Department International, which manages the International Group's charitable contributions resources. (The department also staffs the Levi Strauss Foundation's international program and is responsible for reviewing and introducing new programs in the area of corporate social responsibility.)

The program in Belgium (and continental Europe) is administered by a Regional Manager of Community Affairs International who visits all eight teams once a month for discussion of each team's project toward which 80 percent is contributed by the company and 20 percent by the employees (through their own fund-raising activities and time spent outside working hours). The team prepares a "Charitable Contribution Application" and the Regional Manager adds a concise project analysis. These are submitted to management every three months. Amounts below $10,000 are approved by the Vice President of Community Affairs; those above $10,000 go to the full board of directors. In addition, there are the Regional Managers' Projects which are national in scope. Those are also funded by the company.

Belgian Shell S.A. also has a well-defined process: It has established a committee whose responsibility it is to set priorities and pass judgment on requests emanating from the company's "Personnel Donations Plan." (The priorities of the company as a whole are education, cultural events, medicine, youth-oriented recreation, and philanthropy, in that order.) The plan operates as follows:

Each employee fills out a form, indicating the extent of the individual's involvement with an organization he or she wishes to support and the activity of that organiza-

tion. The employee may request up to BF 292,000 ($10,000) for that particular organization, and need not limit requests to one per year. In 1981, the employees submitted 92 requests; 80 of which were approved. Seventeen percent of the total contributions budget of the company was allocated to this program. The company operates a Personnel Donations Plan in all countries where it has an activity.

Secondments and Gifts in Kind

Very little secondment, or lending of personnel, takes place in Belgium. One or two companies encourage their executives to lecture at Belgian universities, some of them on company time, but this does not extend to loans of executives to nonprofit organizations, as is frequently the custom in the United Kingdom.

Gifts in kind are more frequent: One company contributes items, originally intended for promotional efforts, to local functions. Another permits one of its employees to use computer time to develop software for his tennis club's tournament placements.

Follow-up

In almost all cases under review, there is no follow-up of the disbursements made. This is due to the fact that organizations are screened carefully beforehand, or the organizations are well-known to the company and have been supported for years. Exceptions were found in only one case where the company gives a substantial amount toward medical research: The company doctor follows progress of the research.

Relevant Tax Laws

Resident Corporations

The general rule is that gifts are not deductible for purposes of the corporate income tax. The Belgian tax authorities are rather strict in this respect and often even disallow business-connected gifts because they consider them as noncompulsory (liberalités).

However, within specified limits and under certain conditions gifts are deductible provided that they do not exceed the lesser of 5 percent of the corporation's total net income or 10 million BF. This deduction is based on Article 110 of the Belgium Income Tax Code and Article 67(1)(b) of the Decree of 4 March, 1965, which refers to Article 71(1)(4°) of the Code.

Gifts qualifying for deduction must be made in cash to one of the following types of institutions:

— Belgian universities or university centers and similar educational institutes;

— the Belgian Royal Academies, the National Fund for Scientific Research, the Institute for the Encouragement of Scientific Research in Industry and Agriculture, and other institutions approved by the Minister of Finance and the Minister who is responsible for scientific policy and programs;

— the Belgian national museums and local authorities under the condition that they remit the money to their museums;

— approved Belgian cultural institutions;

— approved Belgian institutions that aid people crippled in the war, invalids, war veterans, aged persons, and so forth;

— the Belgian Red Cross;

— certain national, provincial and approved catastrophe funds;

— workshops that employ only handicapped persons, provided that they have been duly approved;

— approved organizations giving aid to developing countries.

This list is exhaustive so that gifts to foreign institutions or organizations do not qualify for deduction.

Nonresident Corporations

Nonresident corporations carrying on business operations in Belgium are generally treated in the same manner as resident corporations (Article 142 of the Income Tax Code). Although an explicit provision does not exist, it may be assumed that they are entitled to deduct gifts in the same manner as resident corporations.

Chapter 3
Federal Republic of Germany

THE DIFFICULTIES of gathering information on corporate contributions to philanthropy, education and culture are documented by the experiences with this study in the Federal Republic of Germany.

- An initial mailing of 680 questionnaires resulted in seven responses, of which five were completed and two were returned with negative comments.
- A second mailing of 173 questionnaires to a more carefully selected group of companies (including Conference Board Associates) brought 15 responses, of which seven supplied the requested information; eight refused to respond or said that the information was not available in the desired form. Responses from six other companies were obtained during personal interviews.
- Three of the fifteen responses to the second mailing did not state the total amounts of corporate contributions—but did offer approximate allocations to major groups of beneficiaries in percentages.
- Two or three companies were unable to pinpoint their main areas of concern, or were not willing to go into that much detail.

This experience tends to confirm the view that business in Germany sees the government as the main agent in the provision of welfare and community improvement, and also as the main patron of the arts. This attitude prevails in the face of the liberal tax law:

— As a general rule, donations to benevolent, charitable, religious, scientific and political organizations are deductible for income tax purposes to the extent that they do not, in aggregate, exceed the greater of:

— 5 percent (10 percent if for scientific purposes) of net taxable income before deduction of these expenses; or

— 0.2 percent of the sum of total payroll and turnover—from Section 9(3) of the Corporate Income Tax Law.

(See more complete analysis of the tax law on pages 14-15.)

In fact, the state does provide for its constituents' needs. As a consequence of the prevailing attitude that this is as it should be, corporations and banks have been inclined to turn their sights to art and research with much greater enthusiasm than to social causes.

Corporate Contributions

The total amount of contributions for the 16 firms that supplied information on this point was U.S. $7,435,800, with the amounts for individual companies varying widely, however, as is evident from Table 4, and ranging from $2,900 to $1,741,000. The range per employee was from 17 cents to $136.00.

As a percentage of profit before taxes, the numbers from such a small sample are hardly meaningful. But the numbers that were supplied are included in the table for illustrative purposes. It is also apparent from this table that very few firms contribute to religious causes or social work, supporting the findings that health (R&D) and the arts are preferred areas of philanthropic interest.

Some companies represented in Table 4 make a definite distinction between "Beiträge" (subscriptions, legally prescribed contributions) and "Spenden" (gifts, donations). In fact, the term "contributions" (Beiträge) is occasionally used only for subscriptions. In one company, these contributions, amounting to $10 million, were all business related and contained no element at all of "Spenden." On the other hand, some companies lumped all concepts under the questionnaire's "other" category.

Research and Development

The concentration of philanthropic interest in research and development becomes marked when it is recognized that donations for health, education and activities labeled as "other," as well as yearly donations to the Stifterverband der Wissenschaft in Essen, are for R&D. (Nationally, contributions to R&D account for one-third of ap-

Table 4: Corporate Contributions—Federal Republic of Germany

Industry Sector	Amount of Contribution: Percent of Profit	Amount of Contribution: U.S. $ Per Employee	Percent of Total: Health	Education	Culture and Art	Social Work	Religious Work	Other	Total U.S. Dollars (U.S. $ = DM 1.815)	Company Foundation	Essen Stiftung
M	—	$81.0	2%	20%	1%	—	1%	75%	$ 162,000	—	—
M	—	38.0	13	—	58	—	—	29[e]	187,000	—	—
M[f]	0.02%	0.17	37	—	40	5%	5	13	14,800	—	—
M	0.3	2.76	2	94	2	1	1	—	240,200	—	—
M	0.3	32.0	—	—	—	—	—	—	96,200	—	—
M	1.2	53.50	—	—	—	—	—	—	1,600,000	$100,000	—
M	—	0.80	40	60	—	—	—	—	2,900	—	—
M	3.5	30.0	7	—	—	—	—	80	811,000	Yes	13%
M	0.5	9.0	—	—	—	80	—	20[c]	239,300	32,400	—
S[d]	—	—	30	15[c]	15	—	—	—	—	—	—
S	0.08	14.0	17	2	23	—	2	47	35,000	—	—
B	—	—	25-30	—	20	—	—	35[a]	—	—	20-25
B	4.5	136.0	6	43	12	2	2	35	129,000	Yes	—
R	—	—	—	—	30	30	—	40[c]	—	—	—
R	0.09	99.50	29	71	—	—	—	—	26,700	—	—
R	0.02	0.40	—	—	—	—	—	—	10,000	—	—
E	0.6	26.0	40	25	16	19	—	—	87,000	—	—
E	—	67.0 + 23.0[g]	31	13	10	—	—	46	540-650,000	Yes	8
C	0.3	66.0	20	77	2	1	—	—	1,741,000	—	—

a—10 percent for memberships, 25 percent for civic and political.
c—R&D in their field—through foundations.
d—Other foundations
e—Contingencies.
f—Two amounts are given: One with combined educational support.
g—Worldwide.

Sector:
M—Manufacturing
S—Services
R—Resources
C—Communications
E—Engineering
B—Banks

proximately DM 300 million ($165 million) contributed by business.)

The law works in favor of research and development: Donations to scientific organizations are exempt up to 10 percent of net taxable income before deduction of these expenses. This provision includes research and development. It does *not* include donations to schools or scholarships for students, but is applicable in support of doctoral work which, by its very nature, includes research.

Culture and Art

Culture and art do second best as the beneficiaries of corporate contributions. Ten of the eighteen companies responding to the questionnaire allocated substantial amounts toward this end. The major reasons stated were:

— Its high visibility and prestige;

— In instances where business makes outright purchases of art, it can be an excellent investment;

— The shareholders are likely to approve the expenditure, given the status of art and culture in Germany; and

— Control of use of the funds is simple and can easily be confined to a city or a State of the Federal Republic. (See box.)

The corporate contributions are, for the most part, city or Länder oriented. This orientation is, however, not confined to business. On the governmental level, responsibility for the arts is also in the hands of the Länder, or of the provincial states or the municipalities, and constitutes part of their budget. Only about 2.5 percent of the total DM 4.5 billion ($2.480 billion) spent in 1980 on art and culture in the Federal Republic of Germany is contributed by the central government, which also funds artistic endeavors abroad.[1]

Reasons for this decentralization are historic and go back to the age when princes were competing not only for power but for recognition of their domain as cultural centers—and the rivalry continues. Business appears to

[1]The Federal Republic of Germany has about 200 fully subsidized theaters and operas, 87 partly subsidized stages, 89 large orchestras, 7 chamber orchestras, dozens of theater festivals and summer open-air theaters, 12 radio orchestras, and 900 museums.

Bayerische Hypoteken und Wechsel Bank

Before the two World Wars, princes and clergy founded academies of art and commissioned works. Even after the second World War, they continued to promote the arts intensively. After 1945, during the reconstruction of a destroyed Germany, the obvious concentration of effort lay in the advancement of architecture. But very soon there was a burgeoning market for the work of contemporary artists. Nor did buyers shy away from the expense of collecting older art. Industry and banks today are engaged in these latter endeavors—along with music and literature—and out of this interest a certain specialization has emerged.

The cultural involvement of Hypo-Bank—the history of which dates back some 145 years—is outstanding in the banking sector in Germany. It was not by chance that the Bavarian King Ludwig I founded the Bank in 1835: In the following year he established the Alte Pinakothek, which ranks among the finest galleries in the world (comparable, for example, to the Louvre in Paris, the National Gallery in London, the Prado in Madrid, and the Hermitage in Leningrad).

For it was King Ludwig I who developed Munich's reputation as an international center of the arts and who introduced a new style of economic policy, just as a predominantly conservative and partriarchal era was giving way to progressive and liberal economics. In this context, Hypo-Bank was considered by the monarch to be a "highly important and patriotic institution which would protect farmers, tradesmen and artisans against usurers," helping them meet their needs for loans at the dawn of an agricultural and industrial revolution.

Underlying our present-day commitment for supporting the arts is first of all the need to broaden the dialogue with the public, in addition to our traditional business endeavors. At the same time, we wish to make cultural wealth accessible to a broad spectrum of the public. If public opinion is any measure, then this self-imposed obligation has had an extremely positive effect on the image of the Bank as a contributing member of society.

Motivation for our participation in the arts lies secondly in the financial aspect, undeniably valid, and one not to be underestimated. Hypo-Bank's art collection is made available to the public in the form of a permanent loan to museums. Thus the art works remain part of the Bank's assets, increasing in the value accruing to the Bank. And when one considers the ever-increasing value of the art objects since the Bank's original involvement in the collection in the mid-1960's, it seems the initiators made a wise decision.

This special permanent loan system to museums was developed for the first time by Hypo-Bank. It generates no interest, but it is tax free. Therefore, the cost of this sponsorship is the difference between the average revenue from the invested capital and the amount of tax exemption. A further advantage: As the objects are permanent loans, the Bank does not have to pay for their insurance; they are also maintained free of charge by the museum along with the other exhibitions.

. . .excerpt from *Annual Report, 1980.*

support the rivalry by its own financial support of the arts for the sake of the Land in which it operates and for its own benefit.

Political Parties

Donations to political organizations are also tax deductible (see pages 14-15), but a contribution exceeding DM 20,000 (in 1980 exchange-rate terms: $10,800) has to be made public.

In order to avoid the possible embarrassment to donors of larger amounts, the political parties have established front organizations, resembling charities, that are not subject to the same restrictions and through which the funds can be channeled. This has recently caused acute embarrassment in various quarters as this practice has come to light.

Foreign Companies

How do foreign companies' allocations compare with those of indigenous firms? If comparing four foreign companies with fourteen German firms has any validity at all, then one may say that foreign companies favor social work and health causes, and are less likely to group their contributions under the catchall "other" category.

Foundations

Four out of eighteen companies providing data have a company foundation; and four more subsidize the Stifterverband der Wissenschaft.

Foundations have a long history in Germany. The first phase was church-related and oriented toward providing care for the sick, hence the establishment of church-run hospitals. The second phase came about with the rise of the merchant class, and foundations were associated with major mercantile centers such as Augsburg in the south and Hamburg in the north.

Industrialization in the 19th century brought a great surge of new foundations whose main aim was alleviation of such working-class needs as housing, but some of the foundations were interested in the advancement of science and culture. Around 100,000 foundations were in existence at the onset of the 20th century.

There was a long period of relative stagnation lasting from the beginning of World War I to well past World War II. In fact, 90 percent of the foundations had to forfeit an estimated DM 3,800 million ($2,094 million) of assets under the German Reich. The rapid expansion of government welfare and social security after World War II appeared to make the classic charitable foundation redundant, but gradually it was realized that the activity of the state needed to be supplemented by private initiative, and new foundations came into being. By 1969, there were 4,000 foundations in the Federal Republic of Germany.

Foundations that were begun by corporations fall into two categories:

- Public, that is, founded by the company, but outside of company control in terms of its budget and activities;
- Company, that is, funded by and run as part of the company, with the manager of the foundation on the company payroll.

The Fritz Thyssen Foundation was the first large foundation set up after World War II (in 1959) for the primary purpose of advancing the humanities, but also with an interest in medicine and natural sciences. (See box.) It was followed by the Volkswagenwerk Foundation, organized in 1961. In spite of its name, it is independent of both the government and Volkswagenwerk AG. (See box.)

Two other large foundations are worth noting: The first is the Robert Bosch Stiftung which holds 90 percent of the Robert Bosch GmbH shares and supports particularly public health (see box), and which was established both in order to fulfill the business' founder's preoccupation with that aspect of public good, and with an intent to keep the business in the family for as long as possible. The second is the Stifterverband für Deutsche Wissenschaft (Association of Foundations for Science), which is dependent on annual contributions from approximately 5,500 members representing all branches of the German economy. Its purpose is the promotion of research and development through support of academic and scientific organizations, as well as of young scientists, and through funding of particular projects in the field of international scientific cooperation, medicine, structure and organization of the sciences, and so forth. The Foundation also organizes international scientific conferences and the exchange of scholars and scientists. A bimonthly publication, "Forum," reports on the Foundation's activities.

Fritz Thyssen Stiftung

The Foundation is devoted to the advancement of research and learning in universities and research institutes, particularly in Germany. Special consideration is given to the rising generation of scientists and scholars.

The Foundation derives its income from the dividends on shares of the Thyssen A.G., with which the Foundation was endowed. It has concentrated its efforts on the support of particular research projects of limited duration in the areas covered by its program. The work of young scientists and scholars receives special attention, but the Foundation also supports projects outside the Federal Republic of Germany. In the area of medical research, priority is given to projects in which German and foreign researchers work together.

Stiftung Volkswagenwerk

The Foundation was established in 1961 as a private grant-giving body. It owes its existence to an agreement between the Federal Republic of Germany and the State of Lower Saxony, bringing to an end a controversy concerning the ownership of the Volkswagenwerk after 1945. The former Volkswagenwerk GmbH was accordingly converted into a joint-stock company, 60 percent of the equity capital being placed in private hands through an issue of so-called "popular shares." The profits from the sale of these shares constituted the Foundation's capital.

During the first ten years of its existence, the Foundation funded projects in all fields of research and higher learning. Since 1971, its efforts have been concentrated on certain carefully selected priority programs, particularly those that further scientific communication and cooperation among different disciplines as well as among different countries. In general, it promotes science, technology and the humanities by sponsoring research and university teaching.

The source of funds is the interest on the Foundation's capital of DM 1,300 million ($716 million) in 1981. A further source of income is the annual dividend on shares of the Volkswagenwerk held by the Federal Government and the State of Lower Saxony.

The notable feature of all these foundations is that they are closely related to business and sometimes own the businesses that established them. And the Stifterverband der Wissenschaft's support runs across all sectors of the economy: In this survey, six companies out of eighteen said that they were supporting it, but the incidence is, in fact, much higher since the "education" category masks in most instances at least partial support of R&D, usually via the "Stifterverband."

Management and Organization of the Contributions Function

In spite of the limited data, a certain pattern of organization and management of the contributions function in Germany emerged. The function is usually in the hands of one person (chairman, general manager, director of secretariat, or other), and evidently the contributions function is only a marginal activity on which the executive spends limited time. There were, however, two exceptions among the companies surveyed:

- A large chemical company has a special in-house commission for the purpose of determining the amount of contributions and allocations.
- An American company has a contributions council that meets once a month. Members of the council belong to various sectors of management.

Robert Bosch Stiftung GmbH

The Robert Bosch Foundation came into being between 1962 and 1964 as part of the agreement between the descendants of the late Robert Bosch, Sr., and the executors of his will. Accordingly, the shares in Robert Bosch GmbH, which were part of the founder's estate, were transferred to the Vermögensverwaltung Bosch GmbH, founded by Robert Bosch, Sr. in 1921 and renamed "Robert Bosch Stiftung GmbH" in 1969. Today, Robert Bosch Stiftung GmbH holds approximately 90 percent of the shares in Robert Bosch GmbH.

The Foundation is a limited-liability company with headquarters registered in Stuttgart and has a purely charitable function as defined by the pertinent portion of the tax law. A board of trustees, at present made up of shareholders, decides which charitable activities are to be carried out by the Foundation.

As a shareholder, the Foundation receives its proportion of the dividends paid out by Robert Bosch GmbH. The Foundation, as a charitable institution, is not involved in business activities. It has transferred its voting rights as a shareholder to Robert Bosch Industrietreuhand KG.

The purpose of the Foundation is, above all, to promote public health (particularly through its operation of the Robert Bosch Hospital, the Dr. Margarete Fischer-Bosch-Institute for Clinical Pharmacology, and the Institute for the History of Medicine in Stuttgart), international understanding, social welfare, education, art and culture, research and teaching in the humanities, and social and natural sciences.

Budget Formulation and Approval

The person in charge of contributions has two functions:

(1) To consider the requests for donations or funding that have come to the company either from the organizations seeking the donations or from clients, members of the board, or highly placed officials making a plea on behalf of the organizations.

(2) To make recommendations as to organizations that should be funded, and the respective amounts that should be allocated to them.

A great deal of precedence comes into play in the case of donations to welfare and education; and, as pointed out earlier, support of research and development through the Stifterverband für Wissenschaft approaches a permanent obligation in most cases.

Proposals of amounts to be donated are tantamount to approval in the majority of cases, although some organizations have a limit of DM 1,000 ($550) for any single donation. Amounts larger than DM 1,000 may require approval by the chairman, the chief financial officer, or a board member. Substantial amounts almost always require the board of directors' approval. In addition to the donations dispensed by headquarters, bank branches and corporate manufacturing plants are frequently allowed a certain "competence" up to well-defined amounts.

In an isolated case, the director of the general secretariat screens all requests and suggests amounts to be donated. These are all subsequently submitted to the 13-member board of directors at its weekly meeting.

In the instance of a U.S. company, the contributions council initiates and proposes donations, but the managing board of directors sets guidelines. Final approval rests with the company's headquarters in the United States.

The Budget

As a consequence of this approach, a "budget" as such seldom exists. Among the few who claim to have a budget, it consists of having a certain amount of money available for the fiscal year for contributions. Decisions are made on a case-by-case basis, perhaps subject to colleagues' or industry association's opinion.

In one or two cases, allusion was made to the relationship of the total amount set aside to how well the firm was doing, but the overall impression gained was one of no correlation with sales, profits before taxes, or any other yardstick. In one or two cases, the firm or bank attempted to keep up with other firms in the city or Land.

Planning

Based on the preceding mechanism, there is evidently little planning or linking of contributions and public affairs. The more likely link is with public relations, particularly in the sponsorship of arts and music (or sports), although occasionally a firm will insist on complete anonymity. Six out of the eighteen organizations surveyed insist that the activity they support be business related, and another firm restricts its donations to its own workers' associations and to other business-related associations. Hardly any secondment is practiced and only one firm makes gifts in kind: small appliances of its own manufacture.

Relevant Tax Laws

As a general rule, donations to benevolent, charitable, religious, scientific and political organizations are deductible for income tax purposes, to the extent that they do not, in aggregate, exceed the greater of:

— 5 percent (10 percent if for scientific purposes) of net taxable income before deduction of these expenses; or
— 0.2 percent of the sum of total payroll and turnover.

A special rule applies to donations to political parties, which are tax deductible only up to an amount of DM 1,800 ($990) per accounting year. (Section 9(3) of the Corporate Income Tax Law.)

Section 48(3) of the Regulatory Ordinance to the Individual Income Tax Law, which also applies to the corporate income tax, provides that the above donations are only deductible for income-tax purposes if the recipient is:

(a) a legal entity organized under public law ("Juristische Person des öffentlichen Rechts") or a public department thereof (e.g., a university or a research institute); or

(b) a resident legal entity in the sense of Section 5(1)(9) of the Corporate Income Tax Law (i.e., a corporation, association or foundation, the activities of which are exclusively aimed at serving benevolent, charitable or religious purposes, and provided that they do not conduct any business).

As regards legal entities organized under public law [see (a) above], Section 111(3) of the Individual Income Tax Directives (which is based on a decision of the German Supreme Tax Court of November 11, 1966 (published in *Bundessteuerblatt,* Part III, 1967, p. 116) provides that gifts to such legal entities are deductible only if they are residents of Germany. Therefore, gifts to foreign legal entities are not deductible from income, unless they are made through a resident legal entity organized under public law, which transfers them to the foreign recipient (so-called "Durchlaufspenden") category.

In addition, Annex 7 to the Individual Income Tax Directives contains a list of specific gifts to resident recipients which are only tax deductible if they are made through a legal entity organized under public law, including gifts made for the stimulation or improvement of the following:

— sports;
— arts;
— protection of nature and scenery;
— peace and freedom;
— development aid; or
— protection against environmental pollution.

The above rules apply to gifts made by both corporations established in Germany and permanent establishments of a foreign corporation in Germany.

Chapter 4
France

ARTICLE 28-bis of the "Code général des impots" provides that gifts made in connection with works (oeuvres) or to associations (organismes) that serve the public interest are deductible up to an amount not exceeding 0.1 percent of the company's turnover, provided these works or associations have a philanthropic, educational, cultural, scientific, social or family character. (See page 21.) In spite of this provision of the tax law, only one or two companies from among the nineteen whose data were received and analyzed take full advantage of this provision. The others do not even remotely approach the permitted deductible sums.

Corporate Contributions

Some tentative impressions based on responses to questionnaires and a number of personal interviews follow: An aura of casual approach toward charity (bonnes oeuvres) manifests itself in the amounts that are given and in the manner in which they are disbursed. On the other hand, some companies that were approached for information were not only reluctant to divulge numbers, but considered the questions somewhat indelicate and lacking acceptable style. In a few cases, allusions to actual amounts evoked acute embarrassment and even some comments: "pitiful, considering the size of our company." Those occasions were rare, however, and the opinion was likely to come from a younger executive.

Table 5 lists the 19 companies that provided at least partial information on their contributions. Of those, fourteen responded to a questionnaire (first mailing to 454 companies, second mailing to 300 companies), the other five offered the information during personal interviews in which the main subject was the management and organization of the contributions function. (See below.) The small sample also suffers from an overrepresentation of banks—six in all (plus an association of banks). Fourteen of the nineteen companies are French; the others have their parent companies in the United States.

Furthermore, analyzing this token sample and drawing conclusions are made very difficult because the definition of the concept of a corporate contribution varies from corporation to corporation, as is evident from the following:

— There is charity or "bonnes oeuvres" (good works) and this falls under "social work" or "religious work."

— There is "mécénat" (patronage). This is an expression used in France solely for the support of culture and art, and is sometimes considered within the scope of corporate contributions and sometimes within the scope of "sponsoring" as understood in other countries.

— "Sponsoring," an English word that has found its way into the French language, is used in relation to sports only in France, and is usually assigned to marketing or public relations.

Two additional elements add to the murky waters of corporate contributions: 0.9 percent of a corporation's gross salaries (plus bonuses) must be set aside for construction of housing, and another 0.5 percent for the support of apprenticeship. This is a legal obligation and, in fact, constitutes a tax, but several companies that responded to the questionnaire—among them two American—listed these amounts as contributions to philanthropy, education and culture. (See Table 5 and the two dollar amounts as well as the two relative allocations of the funds listed for several companies. The top numbers include the 0.9 and 0.5 percent tax.)

The other difficulty is "cotizations." These are subscriptions and memberships and, although a membership can occasionally be used to support an organization that is engaged in "good works," one is hard put to consider some of the organizations and, particularly, AFNOR (Association Francaise de Normalization—French Association for Standards) and ECTI (Echanges et Consultations Techniques Internationaux—Consultative and Technical Exchanges)—the latter

Table 5: Corporate Contributions—France

Industry Sector	Amount of Contribution: Percent of Profit	Amount of Contribution: U.S. $ Per Employee	Percent of Total: Health	Education	Culture and Art	Social Work	Religious Work	Other	Company Foundation	Fondation De France	Total U.S. Dollars (U.S. $ = 4.22 FF[1])
M	—	$ 1.60	55%	27%	—	—	6%	12%	—	100%	$ 3,770[g]
M	0.08%	40.0	10	2	22%	—	4	—	—	—	10,024[g]
M	- 1.0	—	7	58	5	7%	—	21[h]	—	—	12,000,000
M	—	13.40	17	37	10	19	12	5	—	—	113,740
M	—	—	45	—	—	10	5	40	—	Yes	—
M	0.1	0.90	—	—	25	50	—	25	—	—	910
M	0.5	45.70	9	13	21	57	—	—	—	—	189,570
M	0.15	11.0	55	—	—	—	—	45	—	—	115,170
M	0.5	44.0[i]	36	9	5	10	26	14	—	—	10,190[i]
B	—[a]	—	3	57	—	22	—	—	—	18	27,150
B	0.46	46.50	47	11	5	3	7	27	—	—	154,500
B	1.1	54.0	8	65	8	8	—	8	—	3	2,748,820
B	—	—	23	—	—	—	—	77[b]	—	Yes	628,000
B	0.12	15.30	20	32	2	4	10	32	—	—	81,370
B	0.4	76.50	12	7	17	9	5	50	—	—	179,000[c]
B	0.2	9.4	6	—	1	—	15	57	—	—	331,980[d]
C	—	—	100	—	—	—	—	—	—	—	29,620
S	—	233.0	2	6	—	19	—	73	—	27	302, 500
R	0.03	—	—	—	—	—	—	100[f]	—	—	1,421, 800

a—Association of banks.
b—Subscriptions only. Amount for other categories $142,180.
c—Worldwide. France 56 percent of total.
d—Total amount reported $5,532, 980; 94 percent constitutes a legal obligation.
e—Company reported legally required contributions amount shown equals 23 percent of total.
f—Third World only.
g—Company reported $361,780; 97 percent constitutes a legal obligation.
h—Science projects.
i—France only.
[1]FF = French francs

Sector:
M—Manufacturing
B—Banks
C—Communications
S—Services
R—Resources

similar to the Executive Service Organization in the United States—in the category of organizations receiving corporate contributions as that term is used in this study. It is, therefore, not surprising that the catchall category "other" outdistances all other categories in terms of money allocated to it. In the majority of cases, these amounts mask memberships and subscriptions.

Total amounts donated by the various companies in 1980 are shown below and reflect an attempt to separate the taxes mentioned above from bona fide donations, as follows:

Total I: $24,337,600 includes the tax based on company's total salaries;

Total II: $17,862,294 reflects net donations;

Individual donations per company range very widely, from $910 to $12 million.

When only the four companies that claim the legal tax as part of their overall contributions are considered, it becomes apparent that the real amount of their contributions is only 7.5 percent of the claimed total.

Including 0.9% and 0.5% tax	*Excluding the tax*
$ 628,000	$142,180
5,532,980	331,980
13,900	3,772
361,800	10,024
$6,536,680	$487,956

In computing contributions per employee, only voluntary corporate contributions were considered, that is, the legally required amounts for housing and apprenticeship were excluded from the computation shown; these ranged from $.90 to $76.50 per employee. The tabulation below shows that the 15 French companies favor health- related

organizations as the object of their donations, followed by education (after discounting the category "other"). The four foreign companies contributed most to social work, followed by education.

Beneficiary Group	*15 French companies* percent of total	*4 foreign companies* percent of total
Health	19%	10%
Education	17	27
Culture and Art	7	12
Social Work	12	31
Religious Work	5	4
Other	39	21

Foundations

There were virtually no examples of foundations established and financed by business firms, nor have there been examples of collective philanthropy, such as the United Way in the United States, until the recent creation of the Fondation de France.

The Fondation de France was created in 1969 with an initial fund of more than $3.8 million by the Caisse des Dépots et Consignations and 15 other banks, and by a decree signed by General De Gaulle. It is a private, nonprofit, apolitical, nongovernmental and nonreligious organization and it is not subsidized by the state. It is constituted:

— to enable private persons (and corporations) to establish their own foundations within Fondation de France;

— to enable business organizations and private persons to establish a foundation account;

— to permit certain types of associations to benefit from its management system and its fiscal posture.

The Foundation account (second of its services) is, in fact, a foundation without capital. It enables the donor to bequeath or to contribute goods and capital to the Fondation de France that will manage and distribute them according to the donor's wishes. Two instances are notable within the scope of this survey:

• *Rank-Xerox Foundation:* In 1972, Rank-Xerox opened a foundation account to which the company contributes around 400,000 FF ($94,790) per year for support of the handicapped, cultural development, and protection of the environment.

• *Club Mediterranee:* In 1979, the Club opened a foundation account with a 350,000 FF ($82,940) yearly contribution. This has permitted it to subsidize social and cultural activities in Latin America, Africa and Cambodia. In 1980, the amounts collected by the Fondation de France came from about 100,000 individuals and 2,500 enterprises. The 31,948,000 FF ($7,570,000) collected were distributed in this way:

Social causes	64%
Third World	12
Medical research	11
Environment	6
Cultural activities	6
Miscellaneous	1

Foundations may own a profit-making entity, but there are very few instances of those. An example is the Institut Pasteur Foundation, that owns the Institut Pasteur-Production.[1]

Culture and art: Another innovation is making its mark on the French "mécénat": Two years ago, through the initiative of three young professionals and with the help of Sony Corporation and American Express, an organization was begun to bring together business and the arts for the benefit of both. ADMICAL (l'Association pour le Dévélopment du Mécénat Industriel et Commercial—Association for the Development of Industrial and Commercial Patronage) attempts to achieve this in several ways:

— through meetings where businesspeople and artists meet;

— through artists' portfolios ADMICAL helps artists to prepare in a business-oriented manner;

— through an advisory function directed toward business, that is, how to integrate "mécénat" (patronage) into the general communication policy of the corporation.

Member companies pay 3,000 FF ($710) per year, while the artist's fee is 400 FF ($95) per year. At the beginning

[1]The term "fondation" (foundation) is used in France for a variety of situations. In principle, however, the term is used only to designate a private nonprofit organization whose aims benefit the community and whose existence and statutes were authorized by the government. This does not preclude the use of the term by nonprofit organizations not having such authorization, or by organizations with a profit motive.

Foundations have always been regarded with some suspicion in France. Their rapid growth prior to 1789 was accompanied by a number of abuses and this led to their suppression during the Revolution. Furthermore, the French state considered the general public's need and interest its own domain with the result that the philanthropic sector has never developed to any great extent. Only in recent years has there been a renewed interest in foundations and their activities.

At the present time there appear to be about 300 foundations in France, and in general there are two types: (1) Foundations without a legal status, created by a person or organization that manages it in accordance with the wishes of the donors; (2) Autonomous foundations performing a recognized public service and authorized by decree. These foundations are managed by an administrative committee and manage their own capital, which they use to support a particular service. Their concern may be social, scientific or cultural, and they are often subsidized by the government, even if they were originally privately funded. Furthermore, certain associations often act as foundations without having an official foundation status.

of 1982, ADMICAL claimed to have 100 artist members and 31 corporate members as well as strong support in the French press. It is a private, nonprofit undertaking that is completely independent of the Ministry of Culture, but cooperates with it. A number of companies that were interviewed for the purpose of this survey subscribe and appear to benefit from it.

Management and Organization of the Contributions Function

The selection of beneficiaries is in most cases (again as judged from the small sample) a personal affair. It is the function of one person, who tends not to insist on injecting his or her personal bias but resorts to two proven and easy methods: dependence on precedent and receipt of solicitations.

Selection of Beneficiaries and the Budgeting Process

Precedent is invoked in the majority of cases. Those in charge of selecting beneficiaries prefer to remain with organizations they have been supporting for years—a kind of mutual dependence, since the selection is not likely to be challenged from higher up. This kind of continuous support is almost a subscription and both donor and beneficiary are content to regard it as such.

The amounts allocated to these subscription-like beneficiaries also tend to be stable. Often an allowance is made for inflation, but there are a few instances where amounts have remained the same year after year, thereby giving the contributions a decreasing purchasing power.

Most companies receive requests for donations through the mail; or the head of the company is directly approached by an organization seeking assistance or by another influential person. The latter is likely to be given more careful consideration, and this kind of solicitation is usually answered affirmatively. Requests that come through the mail are processed by the person in charge of making a proposal for disbursement or for next year's budget.

In the majority of cases, corporate contributions are made on an ad hoc basis that is totally reactive: As the solicitations come in, they are processed one by one, and each decision depends on such tangible and intangible factors as:

— Is the organization a serious one, supporting a good cause?
— Is it in line with the company's image?
— Is it in line with the company's business?

Some companies—with a strong Third-World involvement or with a U.S.-based parent company—work on a project-by-project basis. In those cases, the process is more involved: The initiative is the result of a committee consultation. As the budgets for these projects are usually substantial, approval also calls for a group decision by the board of directors or a group or committee of directors.

The corporate contribution selection and proposal for a budget is usually left to one person, often the company secretary or the executive in charge of exterior relations, in cooperation with the president of the firm. The function occupies a very minor part of the total time that person spends on company business. In eight of fourteen companies, the executive responsible for this function is the director of external relations; in two, it is the secretary general; in another two the secretary and president; and budget proposal is the function of a committee in the last two. While the director of external relations is involved in the process in eight out of fourteen cases, this does not signify an important link between corporate giving and the overall concern with the company's environment. The two concepts appear to be quite separate.

Approval of the budget: Up to certain company- determined amounts, approval is usually in the hands of the President Director General (PDG). (The exception is one company where the director of industrial relations approves it.) Occasionally, the proposal and approval functions are vested in the same person. In one of the two cases where a committee makes the proposal, it has the authority to make the approval up to an amount of $10,000 for a project. Anything above that amount goes to the board of directors for final approval. The other example of a committee in charge of proposal and approval is more complex: The company has established a foundation within the Fondation de France and the committee consists of three or four members of the Foundation and three or four members of the corporation. The total amount of funds goes to the Foundation each year; the committee decides on the beneficiaries and the percentage of the total to be allocated to each. The president of the company has the final word, however. If he suggests beneficiaries, his preference will prevail.

Planning

It is perhaps illusory to speak of planning by French companies in this area. In most cases, none takes place. There are, nevertheless, a few notable exceptions that lead to an assumption that more companies engage in strategic planning of the corporate contributions function than the small sample seems to indicate.

In one instance, this involves not just the company's image but France as a concept, a nation, and a civilization. In fact, the company's activities are in direct (and indirect) collaboration with the Quai d'Orsay (Foreign Office) to promote and spread French culture. Such an apparently broad scope is evident in companies that have substantial interest in Third-World countries, such as the CFP. (See Exhibit 2.) The other exception is IBM, whose

Exhibit 2: Policy of CFP in Terms of Industrial Philanthropy

As a private French company with a large participation in the public domain, the CFP's main area of operations is abroad. For a quarter of a century, that situation has determined policy in the matter of industrial philanthropy, which reflects its origin as a petroleum company with general interests.

Its actions in this area are, therefore, concentrated for the benefit of oil-producing countries from which CFP and France draw their supplies. These actions are also an extension—while acting separately—of the public authorities' policy in matters of cultural, scientific and technical relations with foreign countries.

In those circumstances, the philanthropic activity of CFP differs considerably in its objectives and methods from those found in the majority of other French firms. This activity stems from an original policy that responds to particular objectives, of a policy that is voluntary and coherent, and that does not appear as a response to ad hoc solicitations, of a policy that is contrary to classic concerns and is detached from past actions.

* * *

The company is in the forefront of concerns in this domain in terms of disinterested promotional and cultural activity. Commissioned by the French government after the First World War to exploit the oil reserves of the French portion of the Middle East, the CFP was naturally led toward expansion of the language, culture and technology of France in countries that until then had been preponderantly under Anglo-Saxon influence. The means which CFP concentrates toward this end have made it an instrument of privileged penetration not only in the political and economic sphere, but also in intellectual and cultural areas, in the Middle East at first, then in those countries into which it expanded. In those periods when political vicissitudes caused an interruption of relations with the Arab world, the company constituted an efficient substitution of the official presence and cultural penetration of France.

Its activity was able to favor French archeological missions abroad; artists, researchers, scientific and cultural French or local organizations. This contributed to greater knowledge of the various national cultures, to familiarity with the Islamic world, the history, civilization and religions of those countries. Twenty years ago, CFP, at the suggestion of the French government, brought its financial, administrative and moral support to the magazine "Orient"—a publication of high caliber that was the result of collaboration of Middle Eastern writers with French and foreign writers steeped in Arabic culture.

Nevertheless, the major part of CFP activity was directed toward the support of those organizations whose mission it is to spread the French language and culture in those regions: Alliances Francaises, cultural centers, schools, institutes and local universities; centers of research and high-level studies. The CFP practices an indirect philanthropy by the subsidies it gives to French schools abroad above the needs of the children of its expatriates. These have become—because they are attended by nationals—centers of francophone instruction and of French culture.

As an expression of its much more original policy of philanthropy, CFP contributes, by its scholarships, to education in France and in the French language of future managers of those countries, in various French universities and Grands Écoles. That education takes place in all the disciplines, in arts, music, literature and human sciences, law, economics, sciences and technology. Since 1968, several hundred students were able to benefit from a CFP fund of long duration. At present, some 50 students benefit from this fund. For those same reasons, CFP, with the Ministry of Foreign Affairs, created a Center of Welcome for Middle-East students 15 years ago where they can find supervision and pedagogic control as a means toward the university orientation they require.

In a country such as Algeria, where the French language and culture traditionally occupy an important position, the policy of CFP took the form of humanistic and social promotion, which at the same time favored the spread of French science and medical practice. At a time when Algeria was still an integral part of France, CFP created an ophthalmologic clinic in 1960 for which it assured funds, as well as control and management, for the following 15 years, and which made a remarkable contribution toward the battle against the eye diseases endemic to the Sahara.

This original intervention more recently inspired specific support of the human and economic development in the Emirat of Abu Dhabi. This support, which took the form of a research center in agriculture in the middle of the desert, constitutes a channel for the influence of French science and technology, which at the same time is a contribution to the development of the knowledge and practice of agriculture in dry tropical zones. Thanks to the results, both technical and economic, the Centre Experimental Agricole d'Al Ain, created in 1971, was managed by CFP for ten years. This center was handed over to Abu Dhabi, at their request, in 1982. More recently, CFP has decided to give support amounting to 200,000 FF ($47,930) to *Revue du Practicien,* one of the most important medical journals of France, by producing a monthly edition of it *(Majilat al Tabib)* in Arabic.

perception of corporate contributions is far beyond the usual casual attitude found in France. (See box.)

Secondments and Gifts in Kind

Secondments are few. Only one French company and one U.S. company lend an executive to nonprofit organizations as a matter of company policy, usually to set their management and finances straight.

Gifts or loans of equipment are more frequent (excluding banks) and approximate cash donations in value. Companies find it difficult, however, to quantify this type of contribution.

Follow-up

Except where projects are involved, very little follow-up takes place, and usually amounts to little more than a perusal of the beneficiaries' yearly accounting. Most companies make certain that the organization is legitimate and its use of funds efficient before they approve contributions. Where projects are funded, it is likely that the person in charge of corporate approval and disbursement will meet personally with the organization soliciting the funding and will request formal progress reports.

IBM Corporate Philanthropy in France

The idea is to help society, help the advancement of various sectors, and add to the quality of life through financing particular projects. The stipulation is that such projects be unrelated to business and be totally apolitical. They also must not contribute to religious causes, except where they are clearly connected to education and charity. Any implied controversy is not tolerated.

The contributions are directed to:

— education and scientific research;
— cultural projects;
— situations where nothing would be done without a contribution from a corporation;
— where there is real need for civic, health and welfare causes.

Relevant Tax Laws

There is no requirement that the beneficiary of the gift be a French entity. However, for a gift to be deductible, the French tax authorities require that the foreign entity carries on activities in France. In addition, the deduction will be denied if the activities that are performed in France are limited to a small group of beneficiaries selected on the basis of nationality or economic or social conditions.

Although CGI (Code Général Des Impots) Article 238-bis only provides that the company may deduct gifts up to a limit of 0.1 percent of its (total) turnover, the French tax administration limits the term "turnover" to "*turnover in France.*" Turnover effected abroad does not qualify for the computation of the maximum deductible amount.

CGI Article 238-bis A provides that companies may, in addition, deduct from their taxable income gifts made to certain certified private and public research institutions up to a limit of 0.2 percent of turnover. This is also interpreted by the French tax administration as meaning "turnover in France."

Nonresident companies: French corporate income tax law generally does not distinguish between a resident and a nonresident company. Article 209 of the CGI essentially provides that companies are subject to corporate income tax with respect to the income from conducting a business in France, whether the company is resident or nonresident. One of the consequences of this rule is that a resident company is generally not subject to corporate income tax on income derived from foreign business.

Another consequence is that a nonresident company conducting a business through a permanent establishment located in France may deduct gifts from its French-source taxable income as described above. There are no restrictions in the law in this respect.

Chapter 5
Italy

THE ATTEMPT to collect sufficient data for an analysis of corporate giving in Italy followed the pattern established for the other countries covered by this survey:

- A questionnaire was mailed to a total of 335 companies and 13 banks.
- A total of thirteen responses was received, but only five of those supplied the information requested. Eight companies offered either partial data or claimed an inability to comply with the request.

Corporate Contributions

Table 6 shows the results of the responses. At best, some indication of ranges can be read there:

- The donations as a percentage of profit before taxes appear to be between 1.2 percent to 3.3 percent (except for one bank whose "contributions" include a wider range of beneficiaries than those indicated in this survey).
- The amount donated per employee ranges from $2.85 to $271 (again with the exception of the bank).
- Total amounts also range very widely, from $6,280 to $2,982,460.
- Only one company reported a company foundation; 30 percent of the total 1980 contribution was allocated to it.

As for the choice of beneficiaries, health and education were the most frequent recipients of funds. Art was second and social work followed.

Taxation

Corporate donations to educational institutions, welfare organizations, and for scientific research are deductible up to 2 percent of business income (profit before taxes). In addition, companies whose legal headquarters are in the Mezzogiorno (i.e., south of Rome) are permitted an additional deduction of 2 percent for contributions to scientific research. And a separate allowance, up to 2 percent of pretax income, is permitted for donations to universities and institutions of higher learning.

A separate provision is made for donations for the company's employees: Contributions to their education up to an amount equal to 0.5 percent of total salaries paid are deductible. Since these deductions can be taken concurrently, theoretically a company could deduct up to 6.5 percent of its pretax income.

Management and Organization of the Contributions Function

Corporate contributions are either a very personal matter or are considered of relatively small importance and handled as an addition to other duties by a variety of top and middle managers. Of the thirteen companies that responded to the questionnaire, three indicated the chairman or president to be in charge of the activity. It is evidently a very personal matter in those instances and both amounts donated and choice of beneficiaries are entirely in the hands of the responsible executive. The other companies showed the following locations of the function:

— director of corporate internal and external relations
— chief manager, public relations
— manager, general secretariat
— personnel manager
— client relations
— service of general affairs
— engineer

A number of telephone interviews gave the impression

Table 6: Corporate Contributions—Italy

Industry Sector	Amount of Contribution: Percent of Profit	Amount of Contribution: U.S. $ Per Employee	Percent of Total: Health	Education	Culture and Art	Social Work	Religious Work	Other	Total U.S. Dollars	Company Foundation
M	—	—	—	—	—	—	—	—	$ 133,330	—
M	—	—	—	—	—	—	—	—	347,620	$103,630
C	3.0%	—	—	100%	—	—	—	—	86,150	—
R	1.2	$ 75.0	11%	2	—	87%	—	—	67,970	—
R	Loss	2.85	74	7	19	—	—	—	6,280	—
B	—	—	25	28	47	—	—	—	23,390	—
B	3.3	271.0	47	20	6	11	14	2	1,876,230	—
B	50.0	1,182.0	17	—	18	7	—	58	2,982,460	—
E	2.3	56.80	—	—	—	—	—	—	39,770	—

Sector:
M—Manufacturing
C—Communications
R—Resources
B—Banking
E—Engineering

that contributions occur infrequently and in totally ad hoc fashion; that where such contributions are made, they appear to express real concern and interest; and that the activity is often completely decentralized in those companies where contributions are made. In the case of one very large company, the holding company and the operating companies have separate budgets. Within the holding company, each member of the board has his own budget for gifts and, in turn, the directors of each operating company have their individual budgets for donations. It is, therefore, impossible to track down the donations and come to a conclusion on the total amount given.

Foundations

Much less importance has been attached to private foundations in modern Italy than in other countries. Charity and welfare were the exclusive concern of the Catholic Church for a long time. After the unification of the country, the state became very distrustful of intermediate bodies of any sort, including foundations.

Today, there are many private foundations in Italy, but they must be recognized by a decree signed by the President of the Republic, subject to the advice of the Council of State, or in some cases by the President of the Region or Prefect. The government controls and supervises their administration, appoints administrators, and can declare a foundation extinct if it does not live up to its aims or if funds are depleted.

Since World War II, a number of foundations have been established with corporate assets. These foundations may either have a very particular aim or be national or international in scope. Three foundations are described in the box on page 24.

Three Italian Foundations

Fondazione Giorgio Cini

The Fondazione Giorgio Cini, recognized as a corporate body by an Act of the President of the Republic on July 12, 1951, began in that year a restoration of the island of San Giorgio Maggiore and its development as a cultural and artistic center with emphasis on Venetian civilization. The Centro di Cultura e Ciilta and its four institutes (History of Art; History of Venetian State and Society; History of Venetian Literature, Music and Theater; and Venice and the Orient) organize courses, meetings and art exhibitions.

Funds come from partrimonial income and special agreements with public or private organizations as a support for some foundation initiatives.

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Fondazione Adriano Olivetti

The Fondazione Adriano Olivetti, named after the industrialist who was a man of broad cultural and political interests, was established in 1962, two years after his death. The raison d'etre of the Foundation is, in principle, to continue his life's work in the cultural and social fields.

The Foundation has made a valuable contribution to the debate on major problems of the democratic system. It has interests in institutional problems, especially those of newly emergent institutions such as the Italian Regions, and of local authorities, as well as in central political institutions such as Parliament and the executive branch, the problems of freedom, organization and security that the development of new technologies has brought about, and lastly, the problems of developing cultural and social services.

By statute, the Foundation promotes cultural and social initiatives and activities, in accordance with the ideas of Adriano Olivetti directed toward the promotion, encouragement and organization of the following areas of study: constitutional and federalist issues; the international order; economic structures; town planning; local government; labor problems and problems of the sociology of cooperation; and cultural and social services.

Source of funds are endowment and annual contributions from the Ing.C.Olivetti Corporation and from research contracts.

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Fondazione Giovanni Agnelli

The Foundation was set up in 1966 on the 100th anniversary of Giovanni Agnelli's birth and was recognized as a corporate body in 1967. Fiat S.p.A. and the Instituto Financiario Industriale (IFI) were the founders and donors.

The Foundation's research objectives are planned in line with the problems that are at the center of the ongoing debate on social, cultural, political and economic issues in Italy. While Italian problems represent the main interest of the Foundation, reference is made to the European and international situation whenever necessary. Special attention is devoted to Italian-American communities.

The purpose of the Foundation is to promote and develop initiatives likely to extend knowledge of the conditions underlying economic, social and cultural progress in Italy and to lead to its dissemination. Its fields of interest are: democracy and the industrial society; management of the economy; dynamics and evolution of the behavior pattern; cultures and values of social groups; the image of Italy abroad.

Chapter 6
The Netherlands

THE NETHERLANDS is typical of a country with a strong social security system: Contributions to philanthropy, education and culture by corporations are made, but they are made without much enthusiasm and with an underlying feeling that the government should be taking care of these things: "After all, our taxes are high enough."

Corporate Contributions

Three hundred and seventy-six questionnaires were mailed to corporations that met the criteria of having had sales of a minimum of $100 million in 1980. Altogether eighteen responses were received; however, six declined to supply the requested data—either as a matter of principle or because the procedure was deemed too difficult.

The data that were supplied by 12 companies are shown in Table 7. Two tentative observations about corporate contributions in the Netherlands can be made:

- In terms of total donations per company, the amounts are smaller than in the other countries, as is the range: from $7,580 as the lowest amount to $174,000 as the highest.
- As a percentage of profit before taxes, the same observation applies: The range is from 0.02 to 2.8 percent.

Tax Legislation

According to Article 16 of the Netherlands Corporation Tax Act, gifts made by a resident corporation are deductible, subject to certain conditions (see page 27) and limitations, that is, the company must be a *resident* corporation and the beneficiary must also be a resident organization. Furthermore, tax deductibility begins only after the first 1,500 guilders ($756) and cannot exceed 6 percent of pretax profits. Since the interpretation of what constitutes a gift is very broad, the Netherlands tax law appears liberal by international standards.

Choice of Beneficiaries

There is no question that the corporations in this sample favor education as the object of contributions. Nine out of the twelve corporations gave a large portion of their total contributions for that purpose.

If we disregard the category of "other organizations," the next favored cause was social work. Nine companies were contributors, and three of those contributed more than a third of their total donations for this purpose.

Health and culture and art were supported by eight and seven companies, respectively, but the amounts (in percent of total) were smaller than for education and social work. Religious, or church-oriented, activities were not very much in favor as objects of corporate support in this group.

Returning to the category of "other organizations," this is again used to mask memberships in business-related organizations. Three of the nine companies show more than 50 percent of total contributions under that category, and it is a moot point whether or not this type of corporate involvement constitutes a "contribution."

Although not much money is allocated to culture and art by the companies in this sample, Dutch companies have begun to realize the potential of sponsoring the arts—later, however, than companies in other countries. In fact, it is only in the last two years or so that a company's name has been deliberately linked with an artistic endeavor. And it has not all been smooth sailing. The government subsidizes the arts to the extent of $332 million (in 1980) and is not happy when business gets all the credit for having given only a few thousand guilders while the government provides the infrastructure.

While sponsorship of the arts for the benefit of business is recent, support of the arts for other reasons (chairman's interest, for example) dates back much further. A department store group began to give funds to struggling Dutch painters in 1947; a number of banks have street-level galleries at their head offices in Amsterdam; and a tobacco company's chairman founded the Peter Stuyvesant foundation that owns 800 works of art that make the rounds of the group's factories and offices in the Netherlands as well as in Paris, Brussels, Geneva and Madrid. Furthermore, the Foundation for Arts and Business, a nonprofit organization, has been instrumental for the past 30 years in bringing business and artists together for their mutual benefit.

The performing arts received their boost through one bank's support of chamber music, an area neglected by government which prefers the large orchestras. The bank claims to have received a great deal of publicity as a result

Table 7: Corporate Contributions—Netherlands

Industry Sector	Amount of Contribution: Percent of Profit	Amount of Contribution: U.S. $ Per Employee	Percent of Total: Health	Education	Culture and Art	Social Work	Religious Work	Other	Total U.S. Dollars (U.S. $ = 1.983 Guilder)
M	0.05 %	$ 3.10	28%	26%	6%	34%	1%	5%	$19,600
M	0.6	20.70	—	—	—	—	—	—	75,800
M	0.4	5.30	15	30	10	25	5	15	50,500
S	2.8	3.70	4	19	24	2	—	51	59,600
S	0.04	6.90	8	6	21	11	—	54	110,000
S	0.05	2.40	14	45	—	21	—	20	70,700
S	0.2	5.60	16	15	29	3	11	26	174,000
R	—	19.10	—	—	—	—	—	—	12,300
R	0.016	76.10	—	—	—	—	—	—	126,260
R	0.05	34.30	37	21	—	42	—	—	29,900
B	0.2	130.00	—	66	—	34	—	—	7,580
B	0.6	43.30	7	25	4	2	2	60	113,140

Sector:
M—Manufacturing
S—Services
R—Resources
B—Banking

of this support that enhanced the bank's prestige and "softened" its image. The director insisted, however, that he did not consider it a corporate contribution. Rather, it was part of the public relations effort and, therefore, a business expense.

Foundations

Among the twelve companies that responded to the questionnaire, only one indicated that it had a company-sponsored foundation. That foundation was set up to sponsor young musicians and youth orchestras.

In general, commercial companies are reluctant to commit themselves to the recurrent expenditures required by the creation of separate foundations. In recent years, there have been instances of foundations sponsored by corporations, such as the Heineken and Stuyvesant foundations, for science and culture. There are also a few examples in which enterprises as such are controlled by foundations, that is, a majority of shares is held by a foundation. The best known among these are the Van Leer Foundation and the Levi-Lassen Foundation.

While this type of business-related foundation is new in the Netherlands, the roots of every other type of foundation date back several centuries. Their evolution has been favored by the social and moral climate of the country (aided by the religious and political history) that encourages private initiative in the promotion of communal interests, and by Dutch law that demands only minimum conditions for the establishment and existence of foundations.

Basically, the Dutch foundation is an organization protected, but not restricted, by law and its scope may well go beyond that of foundations in other countries. In short, it can be a legal framework for almost any kind of organized activity (agricultural exhibition, radio corporation, vocational school). The total number of officially registered foundations was put at well over 28,500 in 1970, and to this should be added an unknown number of nonregistered foundations—church foundations, and so on.

Management and Organization of the Contributions Function

Although corporate contributions are not very high in the Netherlands, the management and organization of this activity within individual firms is more elaborate than in a majority of other countries covered by this survey. (This judgment is made within the limitations of a 12-company sample.)

In fact, four out of the twelve firms have a "Contributions (or "Donations") Committee" (or "Commission") that makes the final choice of beneficiaries and determines how much money will be allocated to them out of the total budget. And the determination of the budget is also in the hands of the committee, subject to the board of directors' or general manager's approval.

The four committees vary in size and composition:

Two members:	Company secretary
	Marketing manager

Five members:	Three members of the board of directors
	Secretary General
	Public Relations Manager
Six members:	Public Affairs Manager (chairman of committee)
	Five managers from all sectors of activity
Eight members:	Communications Manager
	Secretary of the board of directors
	Manager of Administration
	Five persons representing various sectors of the company

Two of the committees are also involved in the initial processing of the requests that come to the company by mail—as few as 50 a year for one firm and as many as 500 for another.

Where there is no committee, the solicitations are screened by one of several executives:

— manager of advertising
— manager of public affairs
— public relations manager
— company secretary

Budget Formulation

As stated above, when the Contributions Committee proposes the budget, it is tantamount to approval, although a pro forma approval by the board of directors may be required. In those companies where one executive processes the solicitations, that is the person who proposes the annual budget. This executive also has the power to choose the beneficiaries and to determine what portion of the total budget should go to each cause. The budget is approved by the board of directors as a matter of course. There are exceptions: In the case of one large multinational company, the process of approval includes regional as well as world headquarters.

In most cases, the budget varies very little from year to year. The amount is determined partly by those donations that are made every year, partly by anticipating a variation in solicitations. (One executive said that each year the number of solicitations and the amounts requested increase.) In no case was the budget linked to profit before taxes, and how the global amount was determined initially is generally not known except that it was the board of directors' decision.

Follow-up

A minimum follow-up is the general rule, since most organizations seeking contributions are known. In the case of scholarships or funds for research, some companies request to see the project report or conduct an investigation of the proposed project before any money is allocated to it.

Secondment

No secondment is practiced in the Netherlands; however, one of the twelve companies in this sample encourages its employees to give some of their free time to nonprofit organizations, and the company allows an equal time off from work—up to five days every two years. In addition, the same company lends its employees for special events, such as the European Youth Chess Championship. The organization and planning of this event requires three weeks of employees' time every year, and this activity is carried on by the employees during business hours.

Relevant Tax Laws

According to Article 16 of the Netherlands Corporation Tax Act, gifts made by a *resident* corporation are deductible, subject to the following conditions:

(1) They must be made to a *resident* institution of a religious, charitable, cultural, scientific or public beneficial nature; the latter category includes political parties among others.

(2) Proof of the gift must be provided by written documents.

(3) The deduction is granted to the extent that aggregate gifts during a year exceed 500 guilders ($252) and the maximum deduction amounts to 6 percent of profits before tax. Thus, a corporation with annual profits of 100,000 guilders ($50,430) may donate a maximum amount of 6,500 guilders ($3,280) in order to get the maximum deduction of 6,000 guilders ($3,025).

(4) These must be true gifts, without obligation, that do not entitle the donor to any benefits in return.

Nonresident corporations that are subject to corporation tax in the Netherlands, (e.g., because they carry on business through a permanent establishment in the country) are not entitled to deduct gifts. Also, gifts made to nonresident institutions and resident or nonresident individuals do not qualify. Gifts to international organizations (the Red Cross, Salvation Army, etc.) must thus be made to Netherlands-based suborganizations in order to be deductible for the resident corporation.

It should further be emphasized that "gifts" may also be deductible as expenditures incurred for the purpose of the business and no strict limitation as to the amount deductible applies in that case. By international standards, the attitudes of Netherlands tax law and tax administration are fairly liberal in accepting gifts as, for example, cost of advertising.

Finally, gifts will generally be subject to gift duty, sometimes at reduced rates and with limited exemptions.

Chapter 7
Sweden

THE FINDINGS of the International Bureau of Fiscal Documentation on Swedish tax laws pertaining to corporate contributions are terse:

"There is no provision in Swedish income tax law according to which true gifts to charitable and similar organizations are deductible for a donor corporation.

"Thus gifts may only be deductible if they can be considered as business expenditures. Swedish law and practice, however, are rather strict in this respect. Generally speaking, there must be a direct benefit for the donor corporation's business or its employees."

Coupled with Sweden's social security system, the tax law would seem to provide the ultimate disincentive to corporate giving.

Corporate Contributions

The system has developed in such a way that it is no longer very usual for companies to take on philanthropic commitments. Public support is adequately accessible for most social and cultural causes. "Our company grants contributions now and then. It happens in a spontaneous and decentralized way and does not amount to any considerable cost," according to one company response.

It is, therefore, not unexpected that the response to the questionnaire mailed to 150 firms was low. In fact, eight companies supplied some of the numbers and another nine responded by letter stating the reasons for their inability to comply with the request for information on corporate contributions. Those responses ranged from "no opportunity to make such donations" to "it would take considerable effort and time for us to produce the figures."

Given the extremely small sample (eight responses), it would be presumptuous to attempt to draw any conclusions from the few numbers presented in Table 8. However, the following items appear noteworthy:

- There are no corporate donations for religious causes.
- A large part of the contributions go to health and welfare, and seven out of eight companies allocated funds toward that category, with one company giving 49 percent of total.
- Art and culture is supported by six out of eight companies. One among them allocated 44 percent of its $421,000 budget to this sector.
- Social work appears to be in the form of additions to amenities, rather than responses to need, and is local in character, pertaining to those localities where the companies operate. Only three out of eight companies made contributions of this kind.
- The "other" category was once more a catchall for subscriptions and for support of research and development and various other organizations related to the respective businesses.

Foundations

Four out of the eight companies indicated that they have company-sponsored foundations. These are limited in their orientation, providing either additional health insurance or pension coverage for employees, or giving grants to employees' children to study abroad or at the company's facilities.

Forming a foundation is relatively simple in Sweden. The company needs only to earmark assets for a specific constant purpose (intent to make the gift is not sufficient; it must actually be made) and assign a person (or several persons) to administer it. No authorization by a public body is required, nor is there a public register.

There is, however, a 1929 Law on the Supervision of Foundations stipulating that the boards of directors of all foundations must register with the chief regional administrator in whose area the foundation has its business seat. This statutory requirement does not apply to charitable endowments of private schools, private family foundations, and those with less than 10,000 krona ($2,365) in assets, nor to those whose founder's wish was for the foundation to remain outside public supervision.

Table 8: Corporate Contributions—Sweden

Industry Sector	Amount of Contribution: Percent of Profit	Amount of Contribution: U.S. $ Per Employee	Percent of Total: Health	Education	Culture and Art	Social Work	Religious Work	Other	Total U.S. Dollars (U.S. $ = 4.228 Krona)	Company Foundation
M	1.6%	$ 48.00	83%	8%	7%	—	—	—	$120,000	No
M	17.1	362.40	—	—	—	—	—	—	808,890[a]	No
M	0.5	28.10	5	6	17	1%	—	71%	47,800	No
M	0.2	131.90	36	37	17	—	—	10	96,400	$69,000
M	—	6.60	1	—	13	5	—	81	94,560	No
M	0.4	7.60	49	3	21	14	—	13	130,900	33,000
S	—	0.90	100	—	—	—	—	—	2,365	No
C	0.2	8.40	2	7	44	47	—	—	421,000	Yes

[a]Almost the entire amount is a legal obligation.

Sector:
M—Manufacturing
S—Services
C—Communications

Foundations are exempt from taxes on gifts, provided their aim is to improve the country's defense; promote education; improve the care of the old, indigent and handicapped; and promote scientific education and research. In 1961, approximately 6,000 foundations were under supervision, most of them having limited assets. There are about 40 significant foundations of which only a handful have assets of over 40 million krona ($9.5 million).

Management and Organization of the Contributions Function

On the whole (and given the limited information at hand), one may assume that the contributions function does not figure prominently in the concerns of the Swedish corporation. It is usually a single person—the managing director, vice president-personnel, or someone in the legal department—who develops the budget (or allocates a round sum to be set aside) and the proposal then goes to the board of directors for final approval. The budget remains the same from year to year and does not depend on sales or profits. Whatever variation occurs is usually in line with inflation. As for amounts allocated to the various beneficiaries, precedence plays an important role.

In some companies all donations are discussed by the board of directors before donations are agreed upon. Since they are not tax deductible as such and must meet the criteria of a business expense, the tendency is to choose beneficiaries that meet such criteria.

One of the eight companies involves its employees in the contributions process: Representatives of employees, heads of departments, and the financial director on occasion discuss suggestions for contributions during their regular monthly meetings. This employee consultation appears to be an exceptional case, however.

Chapter 8

Switzerland

SWITZERLAND is known for its altruism and for its proverbial secrecy. Assuming that the first would outweigh the second in eliciting responses to the questionnaire, this country was included in the sample.

Corporate Contributions

Unfortunately, the preference for secrecy prevailed: Out of 150 nonfinancial companies and nineteen banks that received the questionnaire, only five responded. Companies also declined to furnish such data when contacted by telephone and in conjunction with information on management and organization of the contributions function. In several instances, a request for a percent allocation of funds to major categories of beneficiaries—without any reference to actual amounts—was also refused. Therefore, no conclusions can be drawn from the few numbers presented in Table 9.

Tax Laws

The Federal Income Tax Act allows enterprises (both incorporated and unincorporated) to deduct charitable contributions used exclusively for purposes of public benefit. Gifts by private individuals are not deductible.

The law does not limit the amount of contributions, nor does it provide that only gifts to national institutions qualify for deduction. The only requirement is that it must be absolutely certain that the contributions are used for public benefit and that any later use for other purposes is not possible.

In addition to the federal income tax, there are canton and half-canton taxes. There are 26 cantons. They all have their own tax systems and the legal provisions referring to the deductibility of gifts differ from one to another. (See pages 32-33.)

Management and Organization of the Contributions Function

Information on management and organization of the contributions function was solicited by telephone, and a large enough sample was obtained for a formulation of impressions: The nonfinancial sector and banks in Switzerland devote a considerable amount of time, effort and money to the contributions function that is, in fact, a reflection of the altruistic attitude of the country.

Processing of Solicitations

In general, companies receive a great many solicitations by mail: These range from 300 to 400 a year for one company to as many as 10,000 to 15,000 for another. In most cases, these are supplemented by recurring donations that are based on precedent.

The executive into whose hands the requests for funds are channeled is often either the secretary general of the organization or the communications manager. In one organization, requests are processed by the head of the "subscriptions and grants office." In all cases, these executives screen the solicitations and either approve sums for disbursement (up to certain amounts) or refer them to a committee constituted for the express purpose of reviewing them for approval.

The committees vary as to number of members, but are similar in terms of executive functions represented:

— membership ranges from four to eight executives;

— the committee usually includes the secretary general, public affairs or public relations manager, and communications manager. Others involved in the process may be the financial and personnel executives and personnel managers; legal and R&D management are sometimes also represented.

Budget Formulation and Approval

Frequently, it is the committee that proposes the contributions budget. If the function resides in one person, it is that executive who screens the solicitations and also proposes the budget (given that a budget exists), or approves the amounts to be donated to particular organizations. The proposed budget then goes to the president, country chairman (where a company operates outside of

Table 9: Corporate Contributions—Switzerland

Industry Sector	Amount of Contribution: Percent of Profit	Amount of Contribution: U.S. $ Per Employee	Percent of Total: Health	Education	Culture and Art	Social Work	Religious Work	Other	Total U.S. Dollars (U.S. $ = 1.673 SF)
M	—	$ 125.0	32%	20%	16%	—	—	—	$ 149,000
S	24.0%	1,006.0	—	5	—	91%	—	4%	618,650
S	—	11.0	15	15	35	10	10%	15	59,800
C	0.9	163.0	6	54	9	9	—	22	386,950
B	0.9	320.0	11	35	—	2	1	51	2,990,000

Sector:
M—Manufacturing
S—Services
C—Communications
B—Banks

Switzerland), chairman of the board, or board of directors.

When there is no definite budget and only fluid parameters are established for the total amount set aside for contributions, the same procedure applies and each solicitation is responded to on its own merits. The decision as to how much money will go to a particular organization is made by the committee or the executive in charge of the function. However, if more than a certain amount (over 5,000 SF or $2,990 U.S.) in one case; over 10,000 SF ($5,980 U.S.) in another is involved, then either group management, the chairman of the board, or the entire board of directors must approve it.

Foundations

The importance of corporate philanthropy is perhaps best expressed in terms of Swiss foundations. Among the companies interviewed, more than 50 percent had one or more company foundations. Concerns for the Third World and scientific research are the predominant preoccupation of a number of these, but there are also those that provide a kind of social security (by a type of pension fund depletion insurance) for their employees, or financing employees' children's education.

The establishment of business-sponsored foundations in Switzerland is subject to certain restrictions:

— The assets must be dedicated to a specific purpose;

— Formal declaration of intent must be entered in a public record, or in a testament, or in a contract of inheritance;

— The foundation must be entered in the Commercial Register (cantonal or federal) following an application for a foundation administrator or a body of administrators;

— The foundation is subject to supervision by a public agency. Depending on the purpose of the foundation, it may be the federal government, the canton, local authority, or, possibly, the district that has the jurisdiction.

In 1969, there were 18,500 foundations in Switzerland (according to the Federal Commercial Register). This number did not include family and/or religious foundations that are frequently unknown. The high number of foundations in a country the size of Switzerland can be attributed to its economic condition and the penchant for altruism. In 1969, 338 foundations had total assets worth SF 350 million, or $209 million. One of the best known is the Nestle Foundation (see box).

Nestle Foundation

The Nestle Foundation was created in 1966 by Nestle S.A. on the occasion of the company's centenary. Its purpose is to promote improvement of nutrition, particularly in those areas of the world where a large proportion of the population is suffering from malnutrition. It does this by initiating and supporting nutrition-related research projects in agriculture, animal production, food chemistry and technology, biology, medicine, psychology and education; by awarding research grants, scholarships and prizes; and by organizing symposia and workshops.

The source of funds is the interest on the initial capital granted by Nestle S.A. in 1966. Grants are made to qualified researchers conducting nutrition-related research studies; and scholarships are provided to qualified persons who wish to upgrade their knowledge and skills in nutrition-related areas.

Follow-up

Consistent follow-up is the exception, but most companies practice some sort of follow-up, which usually consists of their insistence on seeing the accounts. Most of the firms interrogated on this point stressed that in a country of Switzerland's size one knows the organizations requesting support, and the follow-up may be academic.

Employee Involvement and Secondment

Neither employee involvement nor secondment is practiced in Switzerland. Both appear to be generally unknown as an attribute of corporate contributions.

Relevant Tax Laws

Federal Income Tax: Article 22, para. 1(f) and Article 49, para. 2 of the Federal Income Tax Act allow enterprises (both incorporated and unincorporated) to deduct charitable contributions used exclusively for purposes of public benefit. Gifts by private individuals are not deductible.

The law does not limit the amount of contributions, nor does it provide that only gifts to national institutions qualify for deduction. The only requirement is that it must be absolutely certain that the contributions are used for public benefit and that any later use for other purposes is not possible.

The law does not define "public benefit." Case law and administrative practice have interpreted this concept in the course of the years. A criterion is that the contributions should benefit a rather large group of persons; contributions to foundations that further the welfare of one particular family do not qualify for deduction. Also contributions to social clubs or sport clubs, which only further the interest of their members, are not deductible. Deductible gifts include gifts to educational institutions, to religious institutions, to organizations engaged in public welfare, to hospitals, and so on. Gifts to scientific and research institutions may be deductible as business expenses, if the research directly or indirectly benefits the enterprise, or as a contribution for general public benefit.

Permanent establishments of nonresident companies may deduct gifts to nonprofit tax-exempt institutions resident in Switzerland.

Cantonal Taxes: The cantonal income tax rates are much higher than the federal income tax rates. Deductibility of gifts for cantonal tax purposes is, therefore, more pressing. The 26 cantons and half-cantons each have their own tax system and the legal provisions referring to the deductibility of gifts differ by canton.

Many cantons allow gifts to be deducted only if these gifts are paid to a nonprofit tax-exempt organization located in the canton. Intercantonal reciprocity agreements may provide that gifts to institutions in other cantons are also deductible.

Moreover, in most cantons the cantonal government may declare gifts to specific organizations deductible, although the law does not provide for such a deductibility—for instance, gifts to the Swiss Red Cross, if that organization is established in another canton. The cantonal practice may, therefore, be somewhat more generous than one would presume from the text of the law.

The legal provisions for the deductibility of gifts in the cantons of Basel-Stadt, Geneva, Zug and Zurich are summarized below.

Basel-Stadt

Article 73, para. 3c of the cantonal tax law allows legal entities (corporations, limited liability companies, limited partnerships, cooperative societies) and permanent establishments of nonresident legal entities to deduct gifts, if over SF 100. Only contributions to corporations, foundations and institutions (Anstalt) for the use of public benefit, education, welfare or any other purpose of general interest or charity *within* the canton are deductible. Contributions to institutions outside the canton are deductible, provided the contributions are used for the above purposes *within* the canton. The government may declare contributions to other institutions working outside the canton deductible.

Geneva

Article 67 of the cantonal tax law allows legal entities (corporations, limited partnerships, limited liability companies, cooperative societies, associations and foundations) to deduct contributions to:

(1) nonprofit institutions and to tax-exempt organizations engaged in health services, education or public welfare, organized by the canton, and

(2) entities established in the canton engaged in public welfare, education, religion and charity.

The cantonal government can allow gifts to other institutions outside the canton to be deductible. Unincorporated enterprises and private individuals may not deduct gifts. Permanent establishments of nonresident corporations may deduct gifts.

Zug

Article 20 no. 12 allows individuals to deduct contributions to institutions that have as their purpose public welfare, charity, scientific work, or cultural activities to a maximum of 10 percent of annual income.

According to Article 38, corporations may deduct without limitation contributions used exclusively for purposes of public benefit. The law does not limit the deductibility to contributions to institutions established within the canton.

Permanent establishments of nonresident corporations may deduct contributions to institutions in the canton, and most probably to institutions in other cantons.

Zurich

Under Article 25(m), contributions by individuals are deductible to a maximum of 20 percent of pretax net income. In order to qualify, the contributions must be paid to legal entities established in the canton that enjoy tax exemption because they are engaged in activities of general public interest. Article 46 allows a similar deduction—also limited to 20 percent—to corporations and permanent establishments of nonresident corporations. The concept of "general public interest" is narrowly interpreted; no deduction is granted for contributions to tax-exempt religious or educational institutions.

The institution must have its legal seat, or a permanent establishment, in the canton; their activities need not be restricted to the canton but may cover all of Switzerland.

It seems also that contributions to institutions in other cantons that work for the general interest of Switzerland are deductible even if such Swiss institutions provide help to foreigners (e.g., Help for Tibet—Tibethilfe). Contributions to international charitable organizations of which Switzerland is a member are deductible (e.g., UNICEF).

Chapter 9
United Kingdom

"CHARITY" is United Kingdom's middle name. That much is evident from the 15 interviews conducted with executives in charge of corporate contributions to philanthropy, education and culture and from available statistics:

— More than 137,000 "charities" (excluding public schools and universities that enjoy charitable status) existed at the end of 1981.

— 4,000 new charities registered in 1980, double the 2,000 that registered in 1970 and that had brought the number of all charities in that year to 76,000.

— The charities' income is around £3 billion a year.

Corporate Contributions

In an attempt to provide an estimate of the magnitude of corporate contributions to philanthropy, education and culture in the United Kingdom, the survey questionnaire was mailed to 750 U.K. companies meeting the criteria of having had a minimum $100 million in sales in 1980. In response to the mailing, sufficient information was provided by 36 companies; insufficient information or simply refusals were received from 13 companies.

In addition, the personal interviews conducted for the purpose of obtaining information on the management and organization of corporate contributions provided data from another 11 companies. The total number of companies providing data was 46, of which 10 were foreign. The breakdown by sectors is shown below:

Sector	*Number of Companies*
Manufacturing	25
Services	9
Resources	6
Communications	2
Engineering	2
Banks	1
Miscellaneous	1

Total Contributions (in U.S. Dollars)

The total amount given by the 47 companies in 1980 was $27,865,000 (Table 10). Of those, seven companies contributed in excess of $1 million, for a total of $20,607,450 (or 74 percent of the total) as shown below:

Sector	*Amount*
Resources	$4,837,210
Resources	$1,091,390
Resources	$1,395,350
Manufacturing	$1,953,500
Manufacturing	$1,395,350
Services	$3,330,000
Banks	$6,604,650

Ten foreign companies contributed a total of $2,880,440, or slightly more than 10 percent of the total.

Donations as Percent of Sales and Profit Before Tax

In no case did contributions amount to 1 percent of sales. In terms of profits before tax, the relationship is somewhat more meaningful (but not by design), and the average for the 46 companies is 0.58 percent. The range is quite considerable, however, going from a low of 0.02 percent to a high of 13 percent.

Contributions per Employee

Given the wide disparity in the number of employees of the 46 firms that offered information for this survey, donations per employee must be judged with caution. Typically, the large number of employees in most service-oriented companies would dilute the average. As Table 10 shows, the range is from 60 cents to $126.70. One resource company contributed almost $5 million, an average of $19.70 per employee, while another contributed $1.1 million, for an average of $126.70 per employee.

Table 10: Corporate Contributions—United Kingdom

Industry Sector	Amount of Contribution: Percent of Sales	Percent of Profit	U.S. $ Per Employee	Percent of Total: Health	Education	Culture and Art	Social Work	Religious Work	Other	Percent of Total Funds: Company Foundation	CAF	Total U.S. Dollars
M	0.03%	0.35%	$28.4	68%	18%	4%	5%	—	5%	—	—	$ 51,200
M	0.01	13.0	5.5	9	15	10	—	—	66	—	—	610,644
M	0.0036[a]	0.09	1.5	43	15	23	11	1%	7	—	—	119,640
M	0.07[a]	0.15	7.9	—	—	—	—	—	—	—	—	176,310
M	0.01	0.08	2.6	34	4	3	20	6	33	—	—	6,684
M	0.02	—	17.0	93[b]	7	—	—	—	—	—	—	153,670
M	0.005[a]	1.8	2.5	31	17	7	8	—	37	—	—	215,965
M	0.01[a]	0.4	6.5	19	18	8	43	1	11	—	—	174,418
M	0.006	0.08	5.0	10	46	2	38	—	4	76%	—	380,720
M	0.08	0.05	—	60[b]	30	—	—	—	—	—	—	793,000[d]
M	0.006	0.08	8.9	66	22	12	—	—	—	100	—	18,600
M	0.014	Loss	7.1	31	33	12	—	9	15	—	—	405,000
M	0.015	0.3	13.6	22	62	3	2	1	10	—	—	1,953,500
M	0.035	0.3	27.4	83	1	5	—	—	11	—	—	43,920
M	0.02	0.07	13.7	85	15	—	—	—	—	—	—	46,500
M	0.008	0.4	5.1	11	44	2	5	21	17	—	—	277,000
M	0.02	0.03	8.6	56	24	2	13	—	5	—	—	181,400
M	0.02	—	15.5	10	10	25	25	10	20	85	—	46,500
M	0.02	0.2	8.5	58	30	4	6	2	—	17	—	231,390
M	0.005	0.1	5.0	28	3	17	—	12	40	—	—	41,540
M	0.005	0.05	1.4[a]	50	23	19[i]	—	—	8[i]	—	81%	177,440[h]
M	0.03	Loss	17.6	15	73	12	—	—	—	66	—	316,280
M	0.01	0.2	7.6	19	22	—	8	—	30	—	100	1,395,350
S	0.0015	0.1	1.8	9	32	26	6	8	19	95	—	22,604
S	0.018	0.33	14.5	30	16	23	16	7	8	—	100	155,814
S	0.008	0.13	6.3	36	57	—	1	—	6	—	—	23,256[c]
S	0.02	0.2	14.5	49	17	—	34	—	—	—	—	74,400
S	0.01	0.08	9.0	95	—	—	5	—	—	—	—	19,650
S	0.02	0.9	30.7	44	35	14	1	6	—	100	—	233,420[di]
S	0.06	0.5	79.0	24[e]	13	19	44	—	—	—	69	3,330,000
S	0.02	0.1	6.3	36	26	—	15	9	14	86	—	38,750[g]
S	0.02	0.5	104.2	5	—	90	5	—	—	100	—	95,350
R	0.008	0.02	19.7	23	33	34	10	—	—	—	—	4,837,210
R	0.01	0.2	108.0	5	16	—	79	—	—	—	—	67,442
R	0.03	0.1	126.7	45	23	19	—	—	13	—	—	1,091,390
R	0.01	0.04	46.4	—	—	—	—	—	—	—	100	930,000
R	0.002	0.2	10.4	91	—	—	9	—	—	—	—	16,280
R	0.002	0.02	0.6	—	—	—	—	—	—	—	—	84,170
R	0.02	0.2[f]	29.8	6	38	—	20	—	30	—	—	1,395,350[g]
C	0.02	0.6	12.1	12	10	22	5	—	53	—	—	12,000
C	0.01	0.2	8.0	—	—	—	—	—	—	—	—	465,000
E	0.01[a]	0.6	10.6	—	—	—	—	—	—	—	—	216,000
E	0.006	0.15	2.9	19	4	8	16	—	65	—	—	21,090
B	—	1.0	—	50	—	50	—	—	—	—	70	6,604,650

a—Worldwide
b—Includes all other categories
c—1981 budget
d—Only 20 percent in cash
di—Equal amount to sports
e—Includes only CAF Funds' allocation
f—Based on profit after petroleum tax
g—Donations by affiliates another $661,000
h—Plus $41,000 in kind
i—Commercial interest

Sector:
M—Manufacturing
S—Services
R—Resources
C—Communications
B—Banks
E—Engineering

Tax Laws

Outright single gifts to charitable and similar organizations are not deductible under United Kingdom income tax and corporation tax law. However, "covenanted donations to charity" are deductible as a "charge on income." A "covenanted donation to charity" is defined as a payment under a disposition of a covenant made by the corporation in favor of a body of persons or trust established for charitable purposes only, whereby annual donations are payable for a period exceeding three years (formerly six years) that cannot be revoked earlier by unilateral decision of the corporation. The annual payments under the covenant must be equal or have some constant element, for instance, a fixed percentage of annual profits.

If the corporation does not want to be bound to the same charity or charities for several years, a solution that can be used is to create a charitable trust to which the corporation makes the covenanted donations. The trust then makes donations to other charitable organizations as the corporation directs. There is no limit as to the amount that can be donated annually under the above covenants, except that, in principle, an equal amount must be given over a number of years. (See page 41.)

The covenanted donation system is so complicated that most donors do not understand it. The advantage of a covenant lies in the fact that the charity claims the tax the donor pays at the basic rate of income tax. For example: a £100 donation costs the donor the full £100, but the charity recovers the £40 that the donor is taxed on its £100 income. Thus, the charity receives £140. However, as the donor's income, and hence its tax rate, increases, the charity's benefit of £140 costs the donor less, as the tabulation below demonstrates.

Cost to the Taxpayer of a £140 Donation at Varying Income Tax Rates

Rate	*Cost to Taxpayer*
30%	£100
50	71
60	57
75	36

In addition to being complicated, the covenant scheme also implies that money is committed for a period of three years. It reduced the government's income by about £65 billion in 1980-1981.

Many corporations find the law cumbersome and, consequently, resort to indirect giving through the Charities Aid Foundation (CAF) that acts like a fund manager and, in turn, makes grants to organizations that apply to it for funds and follows the donors' wishes. By this single covenant with the CAF, the corporation obtains a "total discretion in tax giving out of income to any or all recognized charitable purposes." (See box.)

Selection of Beneficiaries

Table 11 shows the percent of allocations of the total corporate contributions to the major sectors of beneficiaries: health, education, culture and art, social work, religious causes, and other recipients of support. It is evident that health receives the larger share of total donations (37 percent), followed by culture and art (21 percent), and education (17 percent). The category "other" is a catchall for miscellaneous causes, some of which may be outside the strict interpretation of the term "corporate contributions," but it is less prevalent as a convenience in the United Kingdom than in some other countries.

In this small sample, foreign companies concentrated their donations on health to a greater degree than U.K. companies, while education received more attention from U.K. companies.

When a Company Has a Charitable Account With CAF—

(1) Every charitable donation made from it is deductible from profits for corporation tax purposes.

(2) Thus with corporation tax at 52 percent, every such donation costs the company less than half of an equivalent one made from taxed profits.

(3) The whole account established to cover all the company's annual donations can be funded by a single payment, thus dramatically reducing administrative liabilities.

(4) The gross sum then available is held in the account for distribution to charitable purposes at the sole discretion of the company, and the company's discretion in tax-privileged giving is thereby widened to include emergency appeals, anonymous gifts and overseas beneficiaries.

(5) The company does not have to commit itself for three years to any one beneficiary in order to achieve tax benefit, but can vary amounts, beneficiaries and length of support from this account at will.

(6) CAF's unique service of "Charity Credits" provides the company in effect with a check book on an account of untaxed income, thus maintaining direct and personal contact between the company and its beneficiaries.

(7) An integrated Charity Information Service, provided by CAF, is available.

(8) An account with CAF provides all the advantages of a company's own charitable trust without the legal formalities and expenses involved, and CAF makes no charges for such services.

—from *Company Charitable Giving, The Unique Facility of Charity Credits*, 1977.

Table 11: Relative Emphasis in Choice of Beneficiaries

Beneficiary	Percent of Total		
	All Companies (45)	U.K. Companies (35)	Foreign Companies (10)
Health	37%	32%	56%
Education	17	23	19
Culture and art	21	13	5
Social work	8	9	15
Religious work	1	5	0
Other	17	16	4
Total	100[a]	100[a]	100[a]

[a]Because of rounding, details do not add to 100 percent.

Table 12: Beneficiaries, by Sectors

United Kingdom	Total	Health	Education	Culture and Art	Social Work	Religious	Other
Manufacturing	24	23	23	19	13	9	17
Services	9	7	5	5	9	4	4
Resources	6	5	4	3	3	0	2
Communications	2	2	2	1	1	0	1
Engineering	2	1	1	1	1	0	1
Banks	1	1	0	1	0	0	0
Total	44	39	35	30	27	13	25

Charitable Trusts (Foundations)

Just over a third (35 percent) of the companies use foundations (trusts) for the distribution of all or part of their contributions. Of nine companies with their own foundations, the range of corporate giving through this medium was from 17 to 100 percent. An additional seven companies use the Charities Aid Foundation for from 33 to 100 percent of their contributions.

The corporate grant-giving trust is a relatively new phenomenon in the United Kingdom. Such foundations are the result of a gift of a large block of shares in a commercial enterprise and presuppose a joint-stock company, as well as accumulation of a surplus of wealth in the hands of individuals. In the United Kingdom, there are instances where founders of modern commercial empires have used their assets to create large charitable foundations. Such trusts are exemplified by the Nuffield Foundation, the Wolfson Foundation, and the Wellcome Trust (see box).

Charitable trusts in the United Kingdom predate these modern corporate trusts by a few centuries. The public welfare services of England and Wales were shaped between 1480 and 1660, a period that saw large accumulations of wealth by the merchant class. This

Wellcome Trust

The Wellcome Trust was created by the will of Sir Henry Solomon Wellcome, who died in 1936. An American by birth who became a British subject, Wellcome at the time of his death was the sole proprietor of the worldwide pharmaceutical business of Burroughs Wellcome and Company, which he had founded in London with a fellow-American, Silas Mainville Burroughs, in 1880. The partnership with Burroughs ended with the latter's death in 1895, and in 1924 the business was registered by Wellcome under the title of the Wellcome Foundation Limited.

Under the terms of Wellcome's will, the entire share capital of the Wellcome Foundation Limited, with its associated concerns at home and abroad, is vested in trustees, who are required to use the distributed profits for the advancement of research in human and animal medicine and the history of medicine.

The trustees are the sole shareholders of the Wellcome Foundation Limited. Grants are made to individuals and research institutions and include grants for fellowships, travel and, occasionally, for buildings and equipment.

enlightened group had a vision of society that led it to establish public services, usually local in character, some of which continue to exist to this day.[1] These services were established through endowments of land or rents. Occasionally, such gifts of land, originally situated outside of towns or cities, have become very valuable with time as the cities grew, increasing the wealth these foundations have at their disposal today beyond the original founders' imagination.

The great majority of U.K. charitable trusts are still local, restricted to a defined geographical area. But the enactment of the 1960 Charities Act facilitated the creation of grant-giving trusts (general and often nationwide) and there were 1,700 such trusts by 1971.

The Charities Aid Foundation

As pointed out earlier, the CAF acts like a fund manager and makes grants to organizations that apply to it for funds, or follows the donor's wishes. However, the CAF provides other services, one of which is a yearly publication, *Charity Statistics,* that includes:

— the top 200 corporate donors;
— the top 200 grant-making trusts;
— corporate donations and sponsorship for the arts.

Lists of the top 10 beneficiaries and the top 10 donors, respectively, are shown below:

Top 10 Beneficiaries in 1980 (by expenditure)		*Top 10 Donors (by grant)*	
	£m		£m
National Trust	19.8	Arts Council	60.1
Dr. Barnardo's	18.2	Charities Aid Foundation	12.0
Oxfam	17.9	Wellcome Trust	11.3
Salvation Army	17.2	Royal Society	5.4
Cancer Research Campaign	15.9	Wolfson Foundation	4.0
Spastics Society	15.8	World University Service (UK)	3.5
Nuffield Nursing Homes Trust	14.6	Robinson Charitable Trust	3.1
National Children's Home	12.4	Leverthulme Trust	2.9
Royal Opera House	12.0	Tudor Trust	2.2
Royal National Institute for the Blind	11.7	J. Arthur Rank Group Charity	2.1

[1]Scottish and Irish history were not conducive to great accumulations of wealth and there are, therefore, few local charities and relatively few general charities for the benefit of Scotland or Ireland. Nor is there a Central Register of Scottish foundations.

U.K. Government's Participation in the Philanthropic Process

The importance accorded to charity in the United Kingdom is best illustrated by the place it occupies within the government's structure.

Charity Commission

Charitable trusts, whether corporate grant-giving trusts or other, more traditional trusts, as well as other charities, are supervised and controlled by the Charity Commission, created by the Charitable Trust Act of 1835, which consists of three charity commissioners named by the Home Secretary. The commissioners have surveillance and control powers, but never interfere with the disposition of the charities' funds.

The Charity Commission is the guardian of the central (and public) Charities' Register. Registration of a charity automatically accords such a charity all fiscal and legal privileges. In addition, the Commission stands ready to nominate trustees, should such a need arise, to advise and to supply information and opinion.

The Commission is also the official custodian for charities. In that capacity, it is at the disposal of the charities' trustees to insure the preservation of value—in quantitative terms—of the charities, including advice pertaining to investments. A Charities Official Fund, a common investment fund, created with the aforementioned goal in mind, is open to all charities. In addition, the Commission has acquired quasi- judicial powers, parallel to those of the High Court, but subject to appeal to the latter in all matters pertaining to charities.

Voluntary Service Unit

In addition to the Charity Commission, a special department of the Home Office, the Voluntary Service Unit, constitutes the focal point within the government for the voluntary sector's nonstatutory interests, as well as for the budget for government grants awarded by the various government departments. Its function is to promote voluntary activity of all sorts, such as the British Association of Counselling, which offers counseling services in schools, factories, and so on, as well as marriage counseling, and involves both professional psychologists and volunteers.

There is, however, a certain degree of tension developing, as the professionals feel that the volunteers are usurping professional jobs. Another function of the VSU is to allocate funds to local schemes if they are innovative and can eventually be applied on a national scale.

Culture and Art

Culture and art are heavily subsidized by the government in the United Kingdom. The present budget is on the order of £86 million.

VSU's Activities

— Support national organizations such as the National Council for Volunteer Organizations (NCVO), that, in turn, are supporting voluntary organizations.

— Recruit volunteers: Under a scheme of Community Service Volunteers, placement of young people is arranged for three to six months as an interim experience (between school work or between one stage of schooling and another). The young people get room and board and £10 per week pocket money (£404,000 was allocated toward the scheme).

— Community work: The Unit works with disadvantaged communities, by teaching them how to organize, to set up clubs, and so on. £600,000 goes toward an organization that is now working to develop schemes of the kind to give grants to specialized organizations that need money.

Sponsorship of the arts by business is being promoted by the Association for Business Sponsorship of the Arts (ABSA). Formed in 1976 by a group of business people and with the help of a government grant, the Association has since "mounted an ambitious campaign, including publicity, seminars, publications and an award scheme, all designed to make the benefits of the arts sponsorship more widely appreciated in the business community."[2]

ABSA is not a fund-raising or grant-making organization. It seeks events for sponsors rather than seeking sponsors for the events. Membership is open to any business organization based in the United Kingdom and costs £ 250 per year.

There is no doubt that, against all economic odds, direct financial help for the arts by business has risen. While the extent of it has been estimated at $14 million in 1981 (a 20 percent increase as against 1980), the fact is that companies are showing a much greater interest in arts and, conversely, there is an awareness among arts organizations that industry and commerce are the only alternative sources of funding to government aid. One effect of the apparent success of corporate sponsorship of the arts is that the activity is being increasingly shifted from the corporate charity committee to the marketing department. ABSA claimed 102 member companies in 1981.

Companies view art sponsorship in various ways:

— as part and parcel of marketing;

— as an alternative to sports sponsorship which, according to some, is oversubscribed and has not brought the returns expected of it;

— as an expression of the belief that business is the modern art patron.

[2]Quoted from *Business and the Arts: A Guide for Sponsors.* ABSA: 12 Abbey Churchyard, Bath, BA1 1LY, page 3, 1981.

Management and Organization of the Contributions Function

The importance of charity in the U.K. landscape is reflected on the corporate level in the management and organization accorded to it in terms of time, manpower and position in the corporate structure. In contrast to the other countries covered by this survey, where for the most part one person selects the beneficiary and usually decides how much to donate to it, in the United Kingdom it is almost universally a committee that proposes and makes decisions. The committee name and composition varies from company to company, but the functions are similar. Some typical names: Appeals Advisory Committee, Charities Committee, Subscriptions and Donations Committee, Charitable Appeals (or Donations) Committee, Appeals Review Group (or Panel), Contributions (or Donations) Committee, Social Policy Committee, Group Grants Committee.

Among the companies that offered the information, nine committees have six members each, seven have three members, five have four members, two have two members each, and three others have seven, eight and nine members, respectively.

An analysis of the committee members' function in the company further demonstrates that corporate charity is handled at the highest level. The following corporate functions were represented in 28 committees:

Function	*Number of Companies*
Corporate Secretary	12
Board Member (one or more)	11
Chairman	10
Public Affairs Director	8
Personnel Director	6
Finance Director	5
Deputy Chairman	4
Managing Director	4
Product Managers	3
Employee Representative	2
R&D Manager	2
Subsidiaries Representative	2

Most committees (eight) meet four times a year, some (three) every month, and others (two) every two months. At least two meet when necessary; others meet rarely, using the telephone for communication among their members.

Philosophy and Planning

When queried as to philosophy, priorities and concerns, the responses lined up as follows:

— General social welfare and balanced giving were stated as prime objectives by three companies.

— Social responsibility and good citizenship figured strongly in four.

— National concerns occupy first place among three companies' concerns (one of these seeks out for support beneficiaries that would normally not attract such attention).

— Local needs (i.e., needs of localities where companies operate) were stressed by five companies. General local philanthropy was cited by three among them, while two stressed the support of local projects.

— Art and culture are the prime interest of one company.

— Employee involvement in charitable organizations plays a determining role in making a choice for at least one company.

— Four companies stated relevance to business activity and two cited enhancement of company image as the criteria for choosing the causes they support.

Nevertheless, the activity is reactive in almost all cases. Planning is hardly practiced, except as an adjunct of covenants, that is, donations to any organization that must be made for a period of three years in order to fall under the relevant tax law. Decisions are made and actions are taken in response to "appeals," which arrive by mail or through the personal intercession of individuals. Not all companies maintain a record of the number of appeals they receive per year, but the small sample presented in Table 13 illustrates a degree of magnitude.

Table 13: Number of Appeals per Year Received by Companies

Sector	*Number of Appeals*
M	400 (approved)
R	1,200
M	3,500
M	400— 500
M	1,000—1,200
S	1,000—1,500
S	15,000 overall, 2,200 in headquarters
C	number not available, but require one day a week to respond
M	700— 800

The Budgeting Process

The company charities or appeals committee has three major functions in the majority of cases:

— To set guidelines for corporate contributions;

— To screen all appeals and either make recommendations or decisions as to which should be responded to affirmatively;

— To approve sums to be disbursed or to recommend that certain sums should be disbursed.

The budgeting process is made easier by two factors:

— The existence of corporate charitable trusts, which receive a certain lump sum year after year; and

— The requirement that gifts be covenanted for a minimum of three years, implying either a fixed sum or a sum with an element relating it to some company financial performance (profit before tax, for example).

However, because corporate donations are reactive, some companies do not have a predetermined budget. Precedent plays a part, as do directors' favorite charities, but appeals are often considered on their own individual merit and urgency.

In some cases, the company secretary and a member of the committee have a mandate to disburse sums up to a certain amount. Any sum above that must be approved by the committee as a whole, and larger sums are subject to further approval by either the executive committee of the board of directors or the entire board. However, as a rule, the committee selects beneficiaries and authorizes the amounts with no further approval necessary.

Follow-up and Evaluation

Once disbursement is made, very little attention is paid to the manner in which the funds are used. In most instances of outright charity, this is difficult to do in any case.

In the event of projects, the requirements are analyzed before a decision to contribute is taken and completion of the project is the indication that the money has been properly allocated. In most other cases, the follow-up consists of an examination of the charity organization's accounts.

Secondment

Secondment—the lending of personnel of a profit-making organization to a nonprofit one—is widely practiced in the United Kingdom and is used largely to supply needed managerial skills. A particular application of this type of corporate contribution is one that aims to secure permanent jobs in local communities—that introduces "business skills into community action." In this endeavor, the Action Resource Centre acts as a broker between companies and projects of benefit to the community. The ARC either initiates new ventures or responds to requests for help that meet its criteria (see Exhibit 3). The benefits of well-matched secondments are mutual: The project is more likely to succeed if it has managerial, accounting or marketing expertise, and company employees benefit by the shift to a new environment and the challenge the project presents.

Secondment is also increasingly viewed as an important part of management development, or as a revitalization of preretirement personnel. One company in this survey

Exhibit 3: Action Resource Centre

Criteria for Projects

The Action Resource Centre introduces business skills to enterprises that aim to secure permanent jobs in local communities.

ARC either initiates new ventures or responds to requests for its help, which meet at least one of the following criteria:

(1) Provide work and/or services that help people in local communities to help themselves;
(2) Offer training or re-training of long-term relevance and/or promote the opportunities for linking formal education to future work;
(3) Offer a flexible attitude to work, which includes the concept of encouraging individuals to contribute to the community, whether or not they are in paid employment.

Initiatives Must:

* reflect local needs and situations;
* not offer unfair competition;
* recognize the role of training as a preparation, rather than as a substitute, for work;
* avoid unnecessary duplication of the work of other bodies;
* recognize the need for sound management as well as the determination to achieve long-term success;
* develop positive action, rather than merely reacting to crises;
* be properly researched, and not conceived only to take advantage of available funding.

Source: Ruth I. Jones, *Work—A Natural Responsibility*, 1981.

allocated more than $1.6 million toward this purpose. In this instance, preretirement employees are shifted out of the company and into another activity (management of nonprofit organizations), and the company creates room for upward mobility of younger employees.

Relevant Tax Laws

Outright single gifts to charitable and similar organizations are not deductible under United Kingdom income tax and corporation tax law. However, "covenanted donations to charity" are deductible as a "charge on income." A "covenanted donation to charity" is defined as a payment under a disposition or a covenant made by the corporation in favor of a body of persons or trust established for charitable purposes only, whereby annual donations are payable for a period capable of exceeding three years (formerly six years) which cannot be revoked earlier by unilateral decision of the corporation.

The annual payments under the covenant must be equal or have some constant element, such as a fixed percentage of annual profits. If the corporation does not want to be bound for several years to the same charity or charities, a solution that can be used is to create a charitable trust, to which the corporation makes the covenanted donations. The trust then makes donations to other charitable organizations as the corporation directs. There is no limit as to the amount that can be donated annually under the above covenants, except that, in principle, an equal amount must be given over a number of years.

There is no explicit definition of "charity" in United Kingdom law, the definition of "charity" in the Income and Corporation Taxes Act 1970 is "any body of persons or trust established for charitable purposes only." In case law, a distinction was once made among four kinds of charitable purposes, namely, relief of poverty, advancement of education, advancement of religion, and other purposes of a charitable nature beneficial to the community. There have been numerous court cases over the years on the question of whether a particular organization was or was not a charity.

As a matter of fact, donations may also be deductible as business expenses if they can be regarded as "laid out for the purposes of the trade" of the donor corporation. In order to be deductible as a business expense, there must be a clear benefit for the business carried on by the donor corporation or for its employees. This may include donations for public facilities (sports grounds, etc.) in villages where the majority of the working population is employed by the donor corporation.